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DePaul University

College of Education

A Dissertation in Education with a Concentration in Curriculum Studies

THE RISE OF NEOLIBERALISM - A TRANSRATIONAL ANALYSIS:

TOWARDS A NEW VISION OF URBAN EDUCATION

Dennis Kevin Gregory

DePaul University

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Submitted in Partial Fulfillment

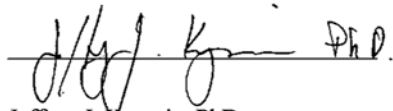
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We approve the dissertation of Dennis K. Gregory.

 Ph.D.

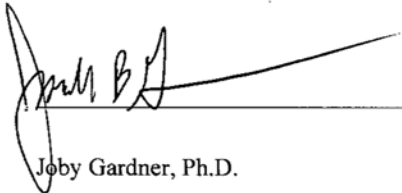
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ABSTRACT

I was driven to this study by witnessing dramatic changes in urban education in recent years and began to ask the questions: What is going on? And why now? This dissertation will show that an extremely powerful and pervasive global phenomenon and ideology known as neoliberalism is at the core of the answers to these questions. As a result, understanding the Rise of Neoliberalism has become a passionate mission for me.

Ferguson (2009) argues that a different approach to the study of neoliberalism is needed because the current scholarship is unsatisfactory; generating common pejorative and unsurprising conclusions like ‘it is bad for poor and working people therefore we must oppose it’. Neither Ferguson (2009) nor I disagree with this, but he asks why he should bother to read study after study coming to this same conclusion. This paper argues that the reason for this common conclusion is because of much of the scholarship on neoliberalism lacks causal and motivational connections between people and events that creates a holistic understanding. This prevents the creation of emergent ideas from the data. Without this holistic view, researchers arrive at conclusions in the same manners as those from scientific experiments that use rationality alone. Rudolph Otto (1923) from his book: *The Idea of the Holy* warns us about the error in our thinking that we have exhausted our means of investigating a phenomenon via rationality alone.

To address these issues, this paper will employ a methodology that combines Heuristic Inquiry with Narrative Historiography. This unique combination will use the faith and passion I have as a means to search for a deeper understanding of neoliberalism and at the same time, prevent the error brought to light by Otto (1923). Heuristic Inquiry and Narrative Historiography as methodologies combine the rational and the non-rational in a usage I term transrationality. Howard (1991) tells us that the non-rational falls under narrative or storytelling as an approach to

increasing human knowledge. It is important to point out that rational and non-rational thinking are not opposites but used in this study as a seamless means of thinking, as they both fall under the umbrella of reason and logic as a path to create a fuller understanding of a phenomenon.

Building on and extending the thoughts of Marx (1973), Habermas (1968) and Schopenhauer (1909), this paper will attempt to show that the nature and power of capital, as understood by this researcher, is at the root of what has created neoliberalism and made it into such a dominant global phenomenon and ideology.

Key Words: Neoliberalism, Heuristic Inquiry, Narrative Historiography, Transrationalism, Rational, Non-rational

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Dedications and Acknowledgements

To begin, this study is dedicated to William and Edytha Gregory, my parents no longer with us, but strong in my spirit. I love you both.

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I want to give special thanks to my committee chair Dr. Jeff Kuzmic for not only sharing his intellectual suggestions and ideas, but for his enduring patience with me that proved well needed. I learned quite a bit from him and surely must acknowledge his input.

Finally, I also want to thank my dear friends Rich, Lisa and Scott for their unwavering support and encouragement. I am fortunate and Blessed to know them.

Chapter One: Introduction

What drove me to this study?

From the Corporate World to the World of Education. I spent the majority of my adult life in the private sector in the banking industry as a senior operations manager of a large international bank. During my career, I established a reputation for managing high morale and high performing departments. As a result, managers north of me gave me significant freedom to run my department the way I wanted with negligible interference.

A good percentage of my staff, especially those who worked nights, were African American single mothers. Part of my management style was to have an open door policy where employees on all levels would feel free to come into my office and speak to me about anything in their personal lives. Time and time again, I would listen to many of these women tell me about the concerns they had for their children's performance in school; often with tears in their eyes. I learned to keep a box of tissues nearby. The connection between their performance on the job and their kids' education became clear. I had to do something that would kill two birds with one stone; help them and their children, thereby helping the department.

I went to my boss with an idea that he not only liked, but enthusiastically endorsed and supported. The idea was a new program I coined 'Saturdays-One-On-One'. It was composed of volunteer managers and supervisors who donated their Saturdays to come in to tutor and mentor the kids of fellow employees in our high-tech conference rooms. We would buy them lunch after 'class' and take them on trips several times a year. To my pleasant surprise, news of this program spread quickly throughout the bank and became a huge hit practically overnight. I had to turn away employees from other departments whose kids were also having problems in school.

Since this program was funded by the corporation, as a manager, I wanted and expected results. To that end, each child was required to hand in their report cards. There was not a single one who had not shown solid improvement; something that made me realize that I was on the right track. I received accolades from managers all over the world within the organization telling me what a great this thing was for the bank. While very hard work, it was incredibly rewarding for me personally. I knew I had to continue helping these urban children in some form down the road and that I could actually make a difference.

I decided to take early retirement because the packages offered would allow me to travel around the world for a few years, complete my education, write a play and plan a second career in urban education. I returned to school at DePaul and took my first graduate course in secondary education. It was clear right away that I could not possibly work in the bureaucratic environment of the Chicago Public School system; I was too used to running my own business. I switched programs to obtain a Masters in Educating Adults. While attending, I decided to do volunteer work in a small south side adult education program. I fell in love with it; especially the students.

The organization was in existence for over twenty years in five locations in the city serving the adult poor of all races by providing a free education. To me, it was an absolutely wonderful thing. I got to know the executive director who hired me, personally. She was a brilliant well educated woman with a gigantic heart to help those who needed help. She dedicated herself to that mission and worked tirelessly. With this brief background in place, this is where the story as to why I chose this topic of The Rise of Neoliberalism to research, really begins.

After two years doing this volunteer work, I began to see major changes in the organization. Funding, the lifeblood of non-profits that used to be automatic over that 20-year

period, now required voluminous and incredibly sophisticated detailed forms to fill out on line. We had no internal structure with those skilled in modern internet-based business practices to handle these new requirements. The executive director was under a stress level that broke my heart as she struggled, for the first time, trying to keep the doors open. As a result of the inability to meet these new funding requirements, layoffs and cut backs began. For the majority of our adult students, many who have been unemployed for a very long time, this chance at a free education amounted to a last hope to turn their lives around.

Concerned with this, I started doing some research on the state of community based non-profit adult education organizations like ours and discovered some shocking data that led me to ask; what on earth is going on? To begin, Dolnicar, Irvine & Lazarevski (2008) argued that the new challenge facing nonprofits is to manage competitive funding without sacrificing mission imperatives. They argued that a corporate model stresses strategy, risk taking and competitive positioning; abilities that have been identified as incompatible with the non-profit model. The authors were right on target. The first thing that came to my mind was, after successfully educating and serving the poor for all these years, why now? Sadly, it gets much worse. There is an actual graveyard of long serving community based organizations created by these new corporate and philanthropic requirements. This study will show that these changes are tied into urban education in general and that they stem directly from a phenomenon known as neoliberalism.

The following cases represent examples of urban adult education organizations, similar to the one I volunteered in, that have recently closed after serving the poor for many years. These organizations also represent additional services to the poor besides education, like homeless shelters, food pantries, child care, counseling etc. The list below, or what I refer to as “the

graveyard”, also shows that these closures are national in scope impacting tens of thousands of adult students and the poor in general. I begin with the most recognizable organization that has been serving right here in Chicago for over a century.

Knight (2012) stated that one of the nation’s oldest and most famous settlement houses, Hull House in Chicago, well known for its service to the poor, announced that it was closing its doors and filing for bankruptcy. He went on to add that “Chicagoans are shocked that a 123-year-old institution providing crucial human services, will disappear” (p. 1). We also have United Teachers Los Angeles (2012) who posted that on Wednesday, February 29, 2012, there will be two demonstrations of 300 to 400 adult education students protesting the closing of all adult education schools in Los Angeles. They add that the elimination of these programs would have a significant impact on the economic and social structures of Los Angeles, already burdened with the most under-educated and under-employed population of any metropolitan region in the United States. Garramone (2012) who is the principal of the Sonoma Valley Adult Education School, posted that the Sonoma Valley Adult School has “proudly served the community for 74 years and it is with great sadness that we close our doors. We thank all of you who have attended our classes or benefited from our services - it has been a great run!” (p. 1).

Next we have Gebb (2012) who posted the closing of the Marysville Adult Education School saying that, with bittersweet pomp and circumstance, Monday night marked the end of an era for Marysville Adult Education. After nearly a century of guiding students toward long-awaited achievements, the program's last group of graduates walked across the stage to receive their diplomas. Sad School Principal Tim Kelly said he “wanted to remember the years we were able to change lives for tens of thousands of people. It created more jobs for them and their families. It created more opportunities and doors opening. It created hopefulness” (p.1). Finally,

we have Lerner (2009) who announced that Blue Gargoyle, a nonprofit literacy and tutoring program that served many South Side residents here in Chicago, closed last week after 40 years of service. Allison Toback-Hofeld, assistant director of Blue Gargoyle's family learning program, explained that many of Blue Gargoyle's clients rely on public aid, which requires them to be enrolled in classes like Blue Gargoyle's or face losing their benefits. "It's a very dangerous time for them; they could be sanctioned and lose their aid, lose their housing, she said. We have teen mothers with young children" (p. 1). As stated, these cases are connected to the recent changes in urban education in general.

Troubles in Urban Education. This section is an introduction to a special section of the literature review of Chapter Two that details the connections between neoliberalism and education.

The negative impact of corporate business demands causing the death of many non-profit organizations around the country serving the adult poor, discussed above, has extended into urban education in general. Kozol (2005) gives us many examples detailing this corporate influence in our urban schools. In chapter four of his book: *The Shame of the Nation*, he describes, in detail, the blatant corporate influence now found in urban elementary schools. He tells us that as early as kindergarten, children in these schools were asked to think about what kind of jobs they might choose. All the jobs were described as management positions: pencil sharpener manager, door manager, soap manager, coat room manager, etc. Nothing like a lawyers' job, a doctor's job, a poet's job, a preacher's job, an engineer's job was to be found. "In another kindergarten class, there was a poster that displayed the names of several retail stores such as JC Penny, Wal-Mart, Kmart, Sears and a few others" (p. 90).

Kozol (2005) detailing his observations at another school, interviewed the principal who told him that “we want to make them understand that, in this country, companies will give you opportunities to work, to prove yourself, no matter what you’ve done” (p. 93). Curious, he asked her what she meant by her statement, no matter what you’ve done, where she responded “even if you have a felony arrest, we want you to understand that you can be a manager someday” (p. 93).

Expanding on this corporate influence, Kozol (2005) claims that as result of the poor performance of these urban schools, the Wall Street Journal in 1990 wrote: some 60 of the city’s giant corporations have taken over the production lines themselves. This was in reference to their investment in the creation of a school model in a predominantly black neighborhood that was intended to embody corporate ideas of management and productivity. At a power breakfast of top corporate executives, a school principal said that “he was in the business of developing minds to meet a market demand” (p. 96).

Kozol (2005) reminded us that prominent educator William Bagley once said that the problems faced in managing a class ought to be regarded by the teacher as primarily a problem of economy; as a business problem. He also added the first rule of efficient service for a teacher must be unquestioned obedience to his or her superiors. This situation is entirely analogous to that in any other organization or system such as a business enterprise.

In all fairness, Scott & Dimartino (2009) reminded us that many researchers have observed the use of the private sector in education and that it has a long history. It has traditionally involved pragmatic strategies for cost saving or efficiency; such as the common practice of districts contracting out for particular services. In discussing what has changed, they argued that within the last three decades, educational privatization has been attached to an

ideological argument about the superiority of the private sector over the public, especially with regards to remedying what many conservative and neoliberal advocates regard as the failure of public schools to provide excellent education given public resource allocations.

Adding to what has changed, Scott & Dimartino (2009) argued that recent conservative visions for schooling include a retreat from race-conscious reforms of recent decades and a radically altered state role in the provision of public schooling, with private sector actors at the leadership helm, and emphasizing parents' unfettered ability to choose schools for their children. Ironically, some conservatives and progressives, including new civil rights organizations, have found philosophical common ground in the potential of privatization and choice to provide more equitable schooling by empowering parents with the choice to flee struggling public schools. Clearly, fixing these troubled schools was not even under consideration.

In detailing the scope of these changes in urban education, a recent quantitative study by the Southern Education Foundation (2013) presented some disturbing trends. According to them, schools that have the largest proportion of low income students spend the least in support of their students. Their data also suggests that low income students are more likely than students from wealthier families to have lower tests scores, fall behind in school, dropout, and fail to acquire a college degree. They conclude by claiming that within the next few years, it is likely that low income students will become a majority of all public school children in the United States. They add that with the huge, stubbornly unchanging gaps in learning, schools in the South and across the nation face the real danger of becoming entrenched, inadequately funded educational systems. They will also enlarge the division in America between haves and have-nots and endanger the entire nation's prospects. In a passionate ending, they argued that without fundamental improvements in how the South and the nation educate low income students, the

trends that this report documents will ricochet across all aspects of American society for generations to come. They ended by stating that “a wise American leader once reminded a troubled nation: A house divided against itself cannot stand” (p. 13). Wilson (1982) appears to agree with this dire assessment when he argued that while there are many ironies in public education in America, the bitterest, are those associated with the education of black children. He argued that “the bitter irony comes from a serious disregard of the heroic struggles, contributions, dedication and value of the black teacher to the American public school system” (p. 404). He says that there are literally thousands of such unsung stories of dedicated black teachers virtually living to help their students learn in a world where the cards are overwhelmingly stacked against them.

So far, we’ve discussed significant changes in urban education that point to corporate influences as a causal factor. Furthermore, the data shows that this trend is not likely to reverse itself any time soon and portends a dismal future for our country. We need to ask ourselves what some of the fundamental underpinnings of these changes are, how these changes actually work in practice to control urban schools, and finally, is this just an American problem.

The literature review will show that a phenomenon called neoliberalism is at the core of these obstacles that prevent real change in urban education; along with some of the major social ills of today like poverty and racism. Carter & Welner (2013) argue that we deceive ourselves if we think that urban school outcomes will change without addressing the social ills of poverty, discrimination and racism. The literature supports that argument.

My emotional attachment to this study. As a result of my initial research on the causes of these changes in urban education combined with what I’ve seen with my own eyes, it is important for me to state in the beginning of this study that I am an African American Male

(AAM). The reader may understandably respond: fine, but what does that have to do with anything? My response is that it has a lot to do with everything. First, as an AAM, I am VERY ANGRY at the state of urban education and to be honest, the state of the world for that matter; as I see them as inextricably tied together. For sure this will come across to many readers as an emotional outburst; and I will not disagree with them. Why do I mention this? I believe my emotion of anger may fall within Kuzmic's (2014) 'outlaw emotions' where he, using a feminist perspective, challenges the dominant positivist epistemology that tends to marginalize such emotions and refer to them as being 'suspect'; thus reducing the value such emotions bring to research, which in turn reduces the value of the research itself. This is a very serious thing to say and therefore needs further explanation.

Kuzmic (2014) using the work of several authors, defines emotions as "emergent properties located at the intersection of physiological dispositions, material circumstances and socio-cultural elaboration" (p. 78). He reminds us that as researchers, we are part of a larger discipline and culture that is dominated by an ideology of professionalism and science embedded in an objective stance and rationality perpetuated through patriarchy. He uses Campbell (2002) who referred to this as "learning not to feel" (p. 79).

This really hit home for me inasmuch as this represents by far the single largest complaint I've had in my graduate study to date. I've coined it the 'robotic approach' to education. In my view, it only results in continued hegemony via endless circular discourse that prevents any real breakthroughs in research. Just reading that others like Kuzmic (2014) and Campbell (2002) also see this, has been warmly therapeutic for me and gives me a welcomed sense of hope.

Adding more substance to this line of thinking, Kuzmic (2014) adds that “one's emotional self is intimately connected to one's professional self. Just because one adds the role of the researcher to that identity doesn't mean that we have to take up the traditional separation between analytic distance and emotional participation. In fact, as Krieger (1991) further articulates, to fail to do so limits our ability to understand social and educational phenomena” (p. 82). I was always certain that the passion and emotion that drives me in this research adds to its value, not subtracts. This is now affirmed by Kuzmic (2014). Finally, Aune (2003) tells us that the pagan wisdom of Aristotle says that “anger is a rational emotion when it is directed at the right cause, for the right amount, and at the right time” (p. 521). The usage and connection of my emotional attachment to this study will be explained in detail in Chapter Three where I introduce the combined methodologies of Heuristic Inquiry and what I term the Transrational Approach.

Bolstering the Current Scholarship

Introduction. Much of this study will build on the work of James Ferguson (2009) currently chair of the Anthropology Department at Stanford University with his article: *The Uses of Neoliberalism*. He begins enunciating his view on the current scholarship quite directly stating that:

I am struck by how much of the critical scholarship on the topic arrives in the end at the very same conclusion – a conclusion that might be expressed in its simplest form as “neoliberalism is bad for poor and working people, therefore we must oppose it”. It is not that I disagree with this conclusion. On the contrary. But I sometimes wonder why I should bother to read one after another

extend scholarly analysis only to reach, again and again, such an unsurprising conclusion. (p. 166)

His brilliant clarity makes clear that he sees the current scholarship on neoliberalism as unsatisfactory. I am in agreement. But the question this poses is: how can we bolster the current scholarship so as to not arrive at these same conclusions?

In my view, what is missing in his article and something that cannot be adequately addressed in any single article, is a deep understanding of where neoliberalism really comes from, and on what intellectual grounds it rests. In truth, this was not an omission per se; as it was not, as I see it, the intent of his work. However, I argue that such an analysis may yield additional insights and different conclusions than found in the current scholarship; something he clearly stated is needed.

Study purpose. The purpose of this study is to build upon Ferguson's (2009) work and go in a different direction by searching for the intellectual history of neoliberalism that leads to its dominance in today's global society. I argue that such a history may shed new light and add new insights to his work by coming to new conclusions about neoliberalism. How? Ferguson's work is constructed around the assumption that neoliberalism is already here and firmly in place; which of course is true. This study makes no such assumption and seeks to find the intellectual genesis of neoliberalism first, and then draw conclusions from there.

Ferguson (2009) places extraordinary emphasis in opposing all the denunciatory conclusions about neoliberalism that are wholly negative; with researchers expending a lot of intellectual energy on 'what we are against'; as opposed to the same energy spent on 'what we want'. He readily admits that 'what we want' is a far more difficult question to answer than

‘what we are against’. I am in strong agreement but add that such a search also needs to answer *why* we want it. Understanding the deep connection between the genesis of neoliberalism, its intellectual foundations and its social dominance in today’s global society will, in my view, provide our answers to ‘what we want’ and ‘why we want it’. The reader will see that at the root of this line of inquiry is the nature and power of capital; an underlying central theme of this study that I argue will bolster the current scholarship.

To accomplish this, this paper will use Narrative Historiography as one of two methodologies that will be explained in detail in Chapter Three. As a very brief introduction, White (2010) tells us that the term narrative history is used to distinguish histories that tell stories from those that do not. He is referring to stories that have a beginning, middle and an end. Stories, according to him, often have dramatic and explanatory effects; both objectives of mine. In short, this paper will address the concerns of Ferguson (2009) by telling a story on the Rise of Neoliberalism from this researcher’s perspective that will hopefully generate additional thinking on the part of the reader that may not be conceptualized from the current scholarship.

The Research Question

Can a narrative historiography of neoliberalism provide a deeper explanation of its genesis, growth and dominance in today’s global society?

Study Limitations

Unfortunately, the depth of this topic forces some important aspects of neoliberalism to be left out of the analysis in order to manage its size and scope. These are incredibly wide and deep topics in and of themselves. Among the most important of these topics is neoliberalism’s impact on women, specifically feminist thinking in general. In addition, the question of how does

neoliberalism impact culture is not included. For example, questions like how does it impact family life and does it impact different cultures differently, and is it actually creating a new global culture still need to be addressed.

Another very critical component of neoliberalism that is not addressed in this study is its ecological impact. How does neoliberalism impact the health of our planet? Specifically, what concerns me most in this topic is the clearly unsustainable relationship between profit maximization, global warming and finite resources. I may have left it out subconsciously because it is almost too scary to contemplate.

Order of the Presentation of This Study

Chapter One has been a short synopsis on what led me to this topic, and why the topic is so personal and important to me. It included key introductory points from the literature on urban education, study purpose, research question, study limitations and the order of presentation.

Chapter Two is the literature review and will begin with an introduction that connects back to Chapter One. Next, it will address what neoliberalism is as a phenomenon followed by how it impacts various important aspects of society; including politics, poverty, racism, with an emphasis on education. Included is an introduction to the central underlying theme of this study: the nature and power of capital. Chapter Two will conclude with a summary of the common themes found in the review and end with a discussion that will segue us to Chapter Three.

Chapter Three presents Heuristic Inquiry (H-I) and Narrative Historiography (N-H) as a combined methodology to be used in search for answers to the research question. This unique combination of methodologies will ground the qualitative nature of this study. Included in this chapter will be an autobiographical narrative detailing where my passion and faith come from; a

critical aspect of H-I. Additionally, a detailed understanding of N-H will hopefully answer why this specific methodology will bolster the current scholarship and generate new thinking about neoliberalism; thus satisfying the concerns of Ferguson (2009).

Chapter Four critically examines what I term the twin intellectual pillars that actually ground neoliberalism: *Homoeconomicus* and the Division of Labor. Habermas (1968), leaning on the thoughts of Karl Marx, will introduce capital as the common philosophical roots of both. A detailed explanation of my understanding of the nature and power of capital will be included in the beginning of this chapter.

Chapters Five will discuss the actual intellectual, political and social engineering of neoliberalism via narrative using the underlying theme of the power of capital. Chapter Five will include a strong focus on what is known as the Chicago Tradition; a hard-nosed conservative view of economics associated with the University of Chicago. I will show that the intellectual epicenter of neoliberalism began right here at this school in Chicago beginning with its founding by Standard Oil magnate John D. Rockefeller in 1890. I will examine, in detail, the battle of ideas between the two major warring camps of institutional and orthodox economic theories at the school and present what I believe to be the ultimate cause of why the intellectually weaker of the two sides prevailed and led to the global spread of neoliberalism that we see today. This the reader will see, is the power of capital.

Chapters Six and Seven will, via narrative, look into the lives of such prominent and relevant names as Frederick von Hayek, Henry Simons, Milton Friedman, William Volker, his nephew Harold Luhnow, Margaret Thatcher, Richard Nixon, Ronald Reagan and several others; all of whom played very significant roles in my understanding of the Rise of Neoliberalism. As a whole, this narrative history is intentionally designed to lead to a very specific date: August 5th

1981 that I will argue as the day Ronald Reagan ‘lit the fuse of the neoliberalism bomb’ that ignited its spread in our country, and by default, the world.

Chapter Eight will be the final chapter and will begin with an introduction followed by answering the research question. After that will be a chapter by chapter high level review of the findings from the body of this study. Following this will be a diagram that connects the answer to the research question with the main events that led to the rise of neoliberalism. I will end by circling all the way back to Chapter One and what precipitated this study in the first place: to see if I can help find solutions to the problems in urban education and present a very preliminary view into the follow up study whose mission is to forthrightly address the ominous argument but correct argument by Carter & Welner (2013) with a new vision for the future of urban education. I will argue as best I can that only a new paradigm of thinking can lead to real solutions.

Chapter Two: Neoliberalism and Society

Introduction

Chapter One showed how and why I came to this study so the reader can see why this topic has become a strong passion of mine. Recall that Ferguson (2009) quite emphatically asked himself why he should bother to read study after study that comes to the same unsurprising conclusions on neoliberalism.

We still need to see what support there is to explain all the common pejorative conclusions that troubles Ferguson (2009) so much. In other words, what does the scholarship actually say? Our first objective then is to dissect the current scholarship to better understand the phenomenon of neoliberalism before moving further. Next, we need to address the question of why the current scholarship produces the same common unsatisfactory conclusions. This will be discussed in detail in Chapter Three that explains the philosophical grounds for using Narrative Historiography that I argue will bolster the current scholarship.

The following literature review will divide the topic between its broader conceptual aspects and its social impacts on society. For its conceptual aspects, since the topic is rather dense, the review will begin by assisting the reader with a quick overview by presenting several summary quotes on neoliberalism found in the literature. The review will then present definitions of neoliberalism starting with the obvious linguistic connection to liberalism. After this, additional definitions and concepts of neoliberalism will be presented to broaden its scope. For its social impacts on society, the review will then focus on its connections to politics, poverty, racism and an expanded emphasis on its connection to education.

The end of this chapter will include a cursory introduction into the nature and power of capital as it relates to neoliberalism; a central underlying theme in this study. Finally, an ending discussion will highlight the major themes and include a segue to Chapter Three.

Concepts of Neoliberalism

Neoliberalism: a quick overview. The purpose of these summary quotes is to provide the reader with a quick yet thorough overview of a dense topic prior to the details. With this, the literature is replete with powerful quotes about neoliberalism that indicate its economic meaning, pervasiveness, power, moment in history, social value and future prospects. We find Jessop (2002) calling it “the privatization of state-owned enterprises and state-provided services” (p. 3). Hill (2004) said “for neo-liberals, profit is God, not the public good” (p. 3). Giroux (2005) argued that neoliberalism “thrives on a culture of cynicism, fear, insecurity, and despair” (p. 494). Peck & Tickell (2002) stated that “it seems to be everywhere” (p. 380). Chopra (2003) calls neoliberalism “a global social science able to explain all rational conduct, or even simply all behavior” (p. 422). Forest & Hirayama (2009) argued that “neoliberalism has dominated policy discourse, policy formulation and policy implementation” (p. 998). Ong (2007) said that neoliberalism is a “capitalist machinery that is structuring a new planetary geography” (p. 3). Peck & Tickell (1994) powerfully argued that “Neoliberal jungle law is a regulatory expression of capitalism's predatory, and ultimately self-destructive dynamic” (p. 320). Brenner & Theodore (2002) call neoliberalism “a utopia of unlimited exploitation” (p. 350). Finally, in what in my view, may be the most serious and damning aspect of neoliberalism can be found in Davies (2005) where he uses the words of Dan Watson (2003) who said that within the language of neoliberalism you are unable to convey any human emotion, including the most basic ones such as happiness, sympathy, greed, envy, love or lust. You cannot he says, tell a joke in this

language, or write a poem, or sing a song. Davies (2005) elaborates on this when he argues that “yet it is the language through which most organizations currently define themselves, including universities. In adopting this neoliberal language, we don’t know, and we haven’t known for some time, whether we have just adopted some superficial and laughable language that will appease government, or whether the professional knowledge that guides and informs teaching and learning is reshaped in neoliberal terms” (pg. 1). This is a very powerful statement with far reaching implications.

Composite definitions of neoliberalism will be discussed below in a separate section. We turn now to the etymology of the word neoliberalism itself to begin the details of our review.

Definitions of neoliberalism. As one might rightfully suspect, from a linguistic perspective, neoliberalism must be, at least to some degree, connected to liberalism. It is. Both neoliberalism and liberalism are, in essence, reactions to what is commonly referred to as the welfare state, or what economists call, Keynesian economics. A good starting place for our understanding of the difference between the two, and why neoliberalism has become the phenomenon depicted by all the summary quotes above, will be to discuss, at least in a cursory fashion, theories of the welfare state. Before this, a very brief history of the welfare state and how it fits in this study should prove helpful.

The welfare state. Flora & Heidenheimer (1981) tell us that the “prehistory of the modern welfare state was referred to as the ‘Poor Law Period’ and was closely related to the early state building efforts of fifteenth and sixteenth century Europe” (p. 22). They add that national differences within Europe in the creation of states with strong bureaucracies and paternalistic traditions may explain the earlier beginnings of the welfare state. As a good segue into this study of neoliberalism, the authors argued that the real beginning of the modern welfare state:

Had to await the transformation of the absolutist state into mass democracy in the last third of the nineteenth century, after a variable intermediary period of liberal democracy with restricted suffrage. In thus linking welfare state development with the evolution of mass democracy, one may interpret the welfare state as an answer to increasing demands for socioeconomic equality or as the institutionalization of social rights relative to the development of civil and political rights. (p. 22)

From this we can now discuss the modern welfare state as we know it today as it relates to the differences between liberalism and neoliberalism.

Barr (2004) argues that the welfare state is not a subject apart from but fits naturally into the framework of economic analysis. He says that theoretical arguments support the existence of the welfare state not only for the well-known equity reasons, but also for concepts of efficiency. He argues that from a policy perspective, the welfare state is clearly ideological and hence falls into the arena of politics. The welfare state, according to him, is like poverty and equality of opportunity; not an easy concept to define.

Barr (2004) also argues that the welfare state exists to enhance the welfare of people who are poor, weak and vulnerable, mostly by providing social care via redistributive income transfers and cash benefits. The reasons for the problems we face in the welfare state, he claims, stems from rising expenditures over the past decades. He points to industrialization as requiring higher skilled labor where the demand for unqualified workers is lower. The consequence of this is that those on the lower end have more precarious employment. The author states that the

neoliberal approach to these new conditions was to increase demand for labor by liberalizing labor markets through increased wage flexibility. The problem with this approach, according to him, was an increase in inequality and poverty particularly among unskilled workers and single parent households.

Bambra (2007) continues this line of thinking further and in more detail, when he argues that welfare state theorists have developed a complex multitude of competing typologies and taxonomies, each based on different classification criteria, and each trying to capture what a welfare state actually does. He goes on to argue that the literature on welfare state theories, which is relatively recent, is in a state of confusion. His article attempts to bring more clarity to the subject by creating just three classifications of a welfare state, by country: liberal, conservative and social democrat. As a measuring stick, he uses Esping-Andersen's original analysis which refers to the extent to which individuals and families can maintain a normal and socially acceptable standard of living regardless of their market performance; and then places each country under one of three categories. Under this scheme, the U.S., along with Australia, Canada, Ireland, New Zealand and the UK, is defined as a liberal welfare state. This classification should come as no surprise as all these 'liberal' countries are known for very similar societies and have strong relationships.

Tensions between Keynesian economics, liberalism and neoliberalism. I find this measuring and defining of our welfare state quite intuitive and meaningful, as it captures the crux of why liberalism and neoliberalism came into existence in the first place: to combat the very notion that market performance on the individual level does not matter. For within liberalism and neoliberalism, an individual's market performance is absolutely critical and amounts in the end to a nation's survivability; a point not to be dismissed lightly. The two central economic

ideologies that make up the current, and to a large extent, historical tensions, are Keynesian economics representing the welfare state, and free market economics representing liberalism and neoliberalism.

With this background of the welfare state and competing ideologies in place, we need to ask; what started the tensions that have us where we are today? Myles & Quadagno (2002) tell us that the first generation of welfare state studies typically turned to theories of industrialism to explain the common trajectory of rising welfare state expenditures throughout the developed world. They argue that the main themes are centered on industrialization, which creates new demands for public spending as systems of social support are eroded and replaced by modern machines and efficient production techniques. Industrialization now creates growing dependence on wage labor which in turn creates new vulnerabilities among those with little or no labor to sell; namely the uneducated, the old, the sick, and the young. This supports Barr (2004) when he discussed industrialization as the cause of the problems of the welfare state.

The following brief quantitative summary should serve to illustrate why there is a growing tension between those favoring a pro-welfare state, normally thought of as Democrats and the left wing, and those favoring a more market-oriented economy, and normally thought of as Republicans and the right wing. According to Myles & Quadagno, (2002) “in 1960, average expenditures on social transfers (welfare, social security, Medicare, unemployment payments, etc.) were 7.5 percent of gross domestic product (GDP) in the affluent democracies, only slightly more than the 6 percent being spent by the United States. In just 20 years, in 1980, average expenditures on social transfers had increased to 9.75 percent in the United States representing an increase of nearly 63%” (p. 35). Even more than the actual percentages were, from the right

wings' perspective, the alarming direction, which was something they saw as threatening their worldview, if not changed.

From this background of the welfare state and industrialization as one of the main reasons (there are others of course) for the growing tensions between the left and the right, we can now discuss definitions of liberalism and neoliberalism.

Liberalism defined. Jessop (2002) starts off with defining liberalism as a complex, multifaceted phenomenon. He adds that it is a conceptual ensemble in economic, political, and ideological discourse and a strategic concept for restructuring market-state relations; with many disputes over its scope, application, and limitations. Of importance, he makes a point of saying that liberalism rarely, if ever, exists in pure form; it typically coexists with elements from other discourses, strategies, and organizational patterns. Thus, he argues that it is better seen as one set of elements in the repertoire of Western economic, political and ideological discourse, rather than as a singular, univocal, and internally coherent discourse in its own right.

Jessop (2002) further defines liberalism ideologically, where he argues that within liberalism, economic, educational, political, and social relations are best organized through free choices. Additionally, it involves rational actors who seek to advance their own material or ideal interests in an institutional framework that maximizes the scope for free choice. Economically, it endorses expansion of the market economy. Politically, it implies that collective decision making should involve a constitutional state with limited substantive powers of economic and social intervention, and a commitment to maximizing the freedom of actors in the economy and the substantive freedom of legally recognized subjects in the public sphere. In short, liberalism rejects the basic tenet of the welfare state and believes that the market, not government, can and should provide solutions. We now move to defining neoliberalism.

Neoliberalism defined. I've coined neoliberalism as, 'liberalism on steroids'. Jessop (2002) in my view, supports this as he defines neoliberalism as the liberalization and deregulation of economic transactions, not only within national borders but also; and more importantly; across these borders. Getting more specific, he argues that neoliberalism is the privatization of state-owned enterprises and state-provided services; the use of market proxies in the residual public sector; and the treatment of public welfare spending as a cost of international production, rather than as a source of domestic demand. As a political project, it seeks to roll back forms of state intervention associated with the mixed economy and the Keynesian welfare state defined above, both here and abroad.

Jessop (2002) completes his definition of neoliberalism by claiming that is also involves enhanced state intervention to roll forward new forms of it that are purportedly more suited to a market-driven and, more recently, to a knowledge-driven globalizing economy. This typically involves the selective upgrade of state capacities and securing conditions for a smoothly operating world market. He also asserts that within a neoliberal environment, urban and regional governments and growth coalitions may gain a key role as strategic partners of business (and education) in this changed context. We will see how this is actually manifested here in the U.S. in an urban environment in the works of Kozol (2005) and Lipman (2004); where they discuss neoliberalism's direct impact on urban education.

In summary, Jessop (2002) and Bamba (2007) describe and compare both liberalism and neoliberalism as both having their core meanings as rejections and repudiations of Keynesian economics, or the welfare state. The main point of contention between liberalism/neoliberalism and Keynesian economics is that an individual's market performance, be that individual young, sick, unemployed or old, either does or does not matter; with the former arguing that it does and

the latter that it does not. Finally, neoliberalism has taken liberalism in a far more forceful and powerful direction inasmuch as its ambitions are global, not national, which reconfigures and increases hubs of power that become borderless, resulting in increases of influence that appear limitless and at the same time, reducing the traditional influences of national governments.

This in my view may be the most critical aspect of neoliberalism. Assuming that national governments in democratic societies theoretically represent the ‘will of the people’; such will be clearly thwarted in favor of corporate interests represented by only a few like-minded people whose sole intent is wealth accumulation and the power it brings them. There are of course additional definitions of neoliberalism that need to be discussed.

Additional definitions of neoliberalism. Harvey (2005) in his book: *A Brief History of Neoliberalism* provides a definition that is useful in understanding the political nature of this phenomenon: “Neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices” (p. 2).

While this ‘static’ composite definition adds value to our understanding, I am inclined to agree with Hay (2004) who argues that neoliberalism is best understood as a paradigm; inasmuch as paradigms evolve where static definitions do not. With this, he argues that neoliberalism be defined as a paradigm by the following seven traits:

1. A confidence in the market as an efficient mechanism for the allocation of scarce resources.
2. A belief in the desirability of a global regime of free trade and free capital mobility.

3. A belief in the desirability, all things being equal, of a limited and non- interventionist role for the state and of the state as a facilitator and custodian rather than a substitute for market mechanisms.
4. A rejection of Keynesian demand-management techniques in favor of monetarism, neo-monetarism and supply-side economics.
5. A commitment to the removal of those welfare benefits which might be seen to act as disincentives to market participation (in short, a subordination of the principles of social justice to those of perceived economic imperatives)
6. A defense of labor-market flexibility and the promotion and nurturing of cost competitiveness.
7. A confidence in the use of private finance in public projects and, more generally, in the allocative efficiency of market and quasi-market mechanisms in the provision of public good. (p. 508).

Continuing with additional definitions, we next have Giroux (2004) who provides an excellent albeit scathing definition of neoliberalism that covers a lot of ground. He describes neoliberalism as one of the most pervasive and dangerous ideologies of the twenty-first century. He argues that the ascendancy of neoliberal corporate culture into every aspect of American life both consolidates economic power in the hands of the few and aggressively attempts to break the power of unions, decouple income from productivity, subordinate the needs of society to the market, and deem public services and goods an unconscionable luxury. As a note, 'decoupling income from productivity' is his way saying that neoliberal corporate culture gives legitimacy to such immensely high paying occupations as bond trading, derivatives, swaps and other exotic financial instruments and practices where nothing is actually produced; yet highly rewarded. But

it does more. “It thrives on a culture of cynicism, fear, insecurity, and despair” (p. 494).

Neoliberalism attempts to eliminate an engaged critique about its most basic principles and social consequences by embracing the market as the ‘arbiter of social destiny’. Its pervasiveness is evident not only in its unparalleled influence on the global economy, but also by its power to redefine the very nature of politics and sociality. Free-market fundamentalism rather than democratic idealism is now the driving force of economics and politics in most of the world.

Giroux (2005) continues his attack on neoliberalism; this time even more forceful. He argues, using the work of Henry (2003) that under the reign of neoliberalism, capital and wealth have been largely distributed upwards, while civic virtue has been undermined by a slavish celebration of the free market as the model for organizing all facets of everyday life. He charges straightforward by arguing that when proponents of neoliberalism invoke politics, they substitute ideological certainty for reasonable doubt, and deplete the national reserves of political intelligence just as “they endorse the illusion that the future can be bought instead of earned” (p. 4). In other words, he, in my view, argues for the case that neoliberalism has in effect successfully rendered our collective critical abilities, impotent. The result of which makes it unquestioned, and more importantly, unchallenged.

We also have Peck & Tickell (2002) who tell us that neoliberalism is a sort of an OS (operating system), to borrow a phrase from computer science, which directs global competition inducing far reaching programs to restructure a wide range of national and local contexts. Examples of this on the national level would be the No Child Left Behind Act (NCLB) of 2001; and for a local context here in Chicago, Renaissance 2010.

In a local perspective of neoliberalism, Gulson (2009) argues that “neoliberalism is commonly equated with the decline, or perhaps more accurately, the rejection of the Keynesian

welfare state, and the ascendance of the ‘Chicago School of Economics’, leading to the legitimacy of free trade and market competition as the organizing principles of a global economy and policy enactments within, across, and between nation states” (p. 151). His comment of the ascendance of the Chicago School is critical and will be discussed in detail when I look into the engineering of neoliberalism; or how it started intellectually; and was constructed to grow.

Martinez & Garcia (1997) contribute to our definitions list offering a simplistic general definition of neoliberalism that, in my view, sums up the heart of a complex concept in as few words as possible. They emphatically state, right in the beginning of their article, that neoliberalism is a set of economic policies that have become widespread during the last 25 years or so. In the United States, you can clearly see the effects of neoliberalism as the rich grow richer and the poor grow poorer. Latching on to this, Lewis (2009) provides another general definition when he states that neoliberalism is charged with reconfiguring freedom and choice and redistributing opportunities and wealth from the poor and marginalized, to the privileged. He does, however, warn us that this is an overly simplistic framing that needs much more depth to use in any thorough analysis.

Global dimensions of neoliberalism. I now begin to expand the scope of our literature review on neoliberalism by discussing its global dimensions. To begin, Jessop (2002) argues that neoliberalism is, among other things, a global concept. As examples, in Chile, we have Unger et. al. (2008) who define neoliberalism as an economic and political movement that gained consensus in the 1980s among international organizations like the International Monetary Fund and the World Bank. This movement demands reforms such as free trade, privatization of previously public owned enterprises, and limited government intervention. Next we have Grimson (2008) discussing neoliberalism in Buenos Aires who states that since the 1990’s, the

city's spatial dynamics have facilitated neoliberalist transformations. Houses are increasingly separated from the street and there is a growing sense of insecurity and new urban fears among residents. Ahonen (2002) continues situating our global definition of neoliberalism in Finland, where he claims that the 1980's and 1990's became characterized by an ethos that was radically different from the 1970's. "The rampant neoliberalism of Reaganism and Thatcherism had a special attraction to the Nordic people, who had started to feel the life in a planning society with its control systems and social engineering, unnecessary and awkward" (p. 177). Ahonen (2002) next argues that "The economic boom of the 1980s gave rise to 'new middle classes', who were prosperous enough to be able to afford individualistic tastes and egoistic attitudes. Institutions like the common school lost a part of their credibility, as new life styles and a new post-industrial labour market required individual choices" (p. 177). In other words, their long history of socialist thinking quickly changed with the rapidly increased lifestyles as a result of neoliberalism.

Continuing with global dimensions of neoliberalism, Demissie (2008) presents a very heartbreaking analysis from Addis Ababa, Ethiopia. He begins his analysis with great emotion by stating that "it would have been better if the government had killed us rather than destroy our homes. They have violated our rights as people as citizens of Ethiopia" (p. 505). He is referring to Addis Ababa as a city that has adopted structural features that caused urban problems that reflect broadly the new condition of the country; as the country began to adopt market-oriented neoliberal policies. The author uses the work of Brenner & Theodore (2002) who define neoliberalism as a doctrine that justifies the deregulation of the state control over major industries, assaults on organized labor, the reduction of corporate taxes, the shrinking of and privatization of public services, the dismantling of welfare programs and the criminalization of the poor.

Next, due to its size and population alone, the most important country where we need to examine the global impact of neoliberalism, is China. He & Wu (2009) in discussing the major changes neoliberalism has brought to the cities of China, claim that “as major arenas for market competition and economic growth, cities have become increasingly important geographical targets and institutional laboratories for various neoliberal experiments, e.g. place-making, urban development corporations, public– private partnerships, new forms of local boosterism, and property-led redevelopment” (p. 283). They next add to this by saying that these new elements gave birth to emerging neoliberal urbanism, and created spaces of neoliberalism involving drastic socio-economic and spatial changes. Among these changes, urban redevelopment has become an important component of capital accumulation; a primary feature of neoliberalism.

He & Wu (2009) present an interesting view of neoliberalism from the Chinese perspective looking out at the rest of the world that seems like a mirror of us looking at China from our perspective. What do I mean? Using the work of Peck and Tickell (2002), they define neoliberalism as ‘offering an operating framework for competitive globalization, state restructuring and rescaling across a wide range of national and local contexts, the accumulation strategy and market-oriented approaches of neoliberalism not only prevail in its heartlands, North America and Western Europe, but also intensively affect urban policies and practices in developing countries. They next claim that since the ideology of neoliberalism has extended its influence from developed capitalist countries to the rest of the world, different countries have experienced their own path-dependent political economic transformations. This supports our look into Chile, Finland, Brazil and Ethiopia above, where we saw very similar albeit highly contextualized differences. The authors point to the East Asian countries of Japan, Korea and

Taiwan to illustrate that each has its own process of state restructuring in response to the influence of neoliberalism.

Giving special attention to the redevelopment of urban areas in China, He & Wu (2009) tell us the elements of neoliberalization (e.g., privatization, commodification, drastic inter- and intra-urban competition and radical urban socio-spatial transformation), are emerging in China. In short, they argue that neoliberalism has penetrated urban China.

He & Wu (2009) critically discuss the rationale for the acceptance of these drastic neoliberal urban changes. They state “to cope with the problems of economic stagnancy and dilapidated urban appearance after the devastating 10 years of the Cultural Revolution, (1966-1976) a series of market-oriented reforms in all aspects has been carried out in China since 1978. Various forms of state restructuring and institutional reconstitution were implemented to introduce and institutionalize neoliberal urbanization” (p. 285). While clearly unique, this, in my view, sounds very similar to the initial tensions in the U.S. between Keynesian and market-oriented economic philosophies discussed earlier.

Supporting this, He & Wu (2009) add that commodification and privatization also have key roles in creating a new mode of regulation within the process of neoliberal urbanization, which simultaneously reduces the costs of providing public services and provides new sources of capital accumulation for the private sector. They make clear reference to a Chinese shift from a welfare state, similar to what was discussed above here in the U.S., when they claim ‘a regime of capital accumulation has been formed to facilitate economic and urban growth: from an egalitarian society characterized by low production, low wages, high state welfare provision, and high state expenditure to a marketized society characterized by mass production, higher wages, lower state welfare provision, and lower state expenditure. This will all coalesce in Chapter Five

when I discuss Richard Nixon's trip to China in 1972 as a significant social engineering factor in explaining the global rise of neoliberalism.

Besides China, there are additional global cases of neoliberalism that extends to nations where one would not expect. For example, Elyas & Picard (2013) discuss the neoliberal educational changes in Saudi Arabia, where they show cases of how western global neoliberal discourses are reflected in general education and university policy and practice. The authors point to a very specific case where spending of \$293 million has been allocated for the "Tatweer" project for the development of general education in Saudi Arabia. "The primary objective of this program will be to focus on the quality of education to ensure that students of public education in the Saudi Kingdom are equipped with the necessary skills to participate in an increasingly globalized society and engage with the complex and myriad problems that globalization brings" (p. 36). This, in my view, shows that the Saudi rulers see that the future of neoliberalism is such that they cannot avoid it and must therefore be prepared to be involved.

One of the more interesting cases of the nations where one would not expect to see a spread of neoliberalism's impact, is that of Cuba. Powell (2008) argues that revolutionary Cuba's resistance to capitalism, and its neoliberal hegemonic form since the collapse of the Soviet bloc, remains important symbolically and materially to the Latin American left and beyond. They add that while the political classes of other countries in the region have introduced neoliberalism with varying degrees of enthusiasm, the Cuban state's resistance to neoliberalism as an ideological project, and to US dominance in particular, has been emphatic. Nonetheless, the authors argue that Cuba has been significantly constrained in practice by the imperatives of neoliberal hegemony, and has entailed a degree of accommodation. "Special Period reforms which saw the establishment of sectoral or 'enclave' capitalism and a dual economy within a socialist political

framework gave rise to some intractable contradictions, most notably a sharp increase in inequality” (p.177).

Another even more exceptional case is Venezuela. Parker (2005) discusses the election victory of Hugo Chavez that surprised political pundits and academics alike. He adds that political scientist Luis Gomez Calcano (2000) asserted that, despite the widespread recognition of the existence of a political crisis, the only alternative discourse in Venezuela seemed to be that of 'modernization,' understood as the replacement of political parties by civil society, of ideology by pragmatism, of social utopias by technocratic thinking, and of the state by the market.

Dissecting this, Parker (2005) argues that any debate over neoliberalism and its alternatives in Venezuela requires a discussion of oil and state energy policy and that the debate over neoliberalism in Venezuela has tended to underestimate the crucial importance of the oil industry; specifically, PDVSA, the state-owned oil company. He tells us that PDVSA was successful in projecting an image that differentiated it from the rest of the public sector; that of an efficient modern corporation resembling the private international oil giants. The implications of this were significant:

As a result, the political parties (including those on the left) largely lost interest in oil as a topic for debate and as a central feature of their programs. At the same time, Congress, which had closely supervised the industry while it was in foreign hands, also lost interest. What is more significant is that the national executive itself, and particularly the Ministry of Energy and Mines, gradually lost its capacity to establish policy and ended up as a mere rubber stamp for decisions made by the company managers (p. 41).

Returning to the Chavez impact, Parker (2005) brings up a very critical point when he claims that since the government considered a degree of macroeconomic stability a prerequisite for structural changes, it rejected the option of directly confronting the international financial institutions. Nonpayment of the foreign debt was ruled out, currency reserves were maintained high, and macroeconomic policy was designed to bring inflation under control. “Indeed, it was precisely these ‘orthodox’ aspects of economic policy that led some analysts to conclude that the balance was neoliberal” (p. 43). All these cases of neoliberalism’s impact on nations one would not expect, give added credence to Pick & Tickell (2002) who argued that ‘neoliberalism seems to be everywhere’.

Additional concepts of neoliberalism. Jessop (2002) provides us with the far reaching effects of neoliberalism that describe why it is such an important a topic to understand. He emphasizes that it promotes market-led economic and social restructuring. Specifically, this means that in the public sector, it involves privatization. In the private sector, it means deregulation that is backed by a new legal framework that offers strong support for market solutions. Additionally, he tells us that it created specific new labor arrangements that have become popular and familiar to most of us. As examples, he says that neoliberalism is reflected in government and private measures to promote hire-and-fire, flexi time, and flex wage labor markets. These measures are in essence ‘economic tools of efficiency’ that when implemented, have the ability to increase profits. Neoliberalism also supports free trade and capital mobility and expects innovation to follow spontaneously from freeing entrepreneurs and workers to seize market opportunities in a state- sponsored enterprise culture. In other words, neoliberalism believes that freeing individuals and companies from all restraints, as opposed to an intervening government, is the best way forward.

In discussing another important aspect of neoliberalism that is very relevant to the reason for this dissertation, Jessop (2002) introduces two terms; ‘neocorporatism’ and ‘neostatism’; both which help explain the issues facing urban education. Neocorporatism reflects the diversity of policy communities and networks relevant to innovation-driven growth, as well as the increasing heterogeneity of labor forces and labor markets. It is also more directly and explicitly oriented to innovation and competitiveness. Thus, neocorporatist networks include policy communities representing functional systems such as science, health, and education. With this, policy implementation becomes more flexible through the extension of self-regulated public-private partnerships. In neoliberalism, states use their resources to support decisions reached through corporatist negotiation. These negotiations produce intended outcomes by becoming selective in their deliberations. This is accomplished by excluding some entrenched industrial interests and marginal workers, like unions, while promoting new sectors of their choosing and privileging the necessary core workers. The result of these negotiations is greater flexibility for corporate interests and a shift away from centralized macroeconomic concentrations (i.e., national and state power hubs).

Jessop (2002) now combines this concept of neocorporatism with neostatism. He defines neostatism as involving a state-sponsored approach to economic and social restructuring where the state seeks to use market forces in support of a national strategy. This definition implies ‘state’ in the context of the fifty states of the U.S. This is done while the state depends heavily on its own powers of decision making, knowledge bases and organizational intelligence. We need to add here that since education is not specifically defined in the U.S. Constitution, it is a state responsibility by default. Consequently, neostatism, along with neocorporatism create partnerships on the state level that influence the direction of education towards the interests of

corporations. The author adds that these new partnerships provide “guidance to ensure that they serve public as well as private interests” (p. 13). Further connections between neoliberalism and education will be discussed in more detail later in this review.

As a further explanation of this connection, Hankins & Martin (2006) in their study of charter schools in Atlanta tell us that “the new institutional structures such as charter schools offer a window onto the complicated neoliberal shifts happening in both public education and in urban governance” (p. 531). In critically analyzing what is actually taking place in urban schools, they argue that structural theories about business dominance are insufficient for understanding exactly how business wields such power. Their answer comes from Logan and Molotch’s (1987) ‘growth machine theory’. This theory “illustrates the interconnected interests and actors that can comprise an urban regime: political officials, local corporate leaders, local media, arts and cultural industries, and so on” (p. 532). They see this theory as the best way to understand just how the connection between business and urban schools are manifested; clearly connecting to Lipman (2010) and her example of the Commercial Club of Chicago being responsible for closing many urban schools.

In another area of the importance of neoliberalism, and where it impacts the poor disproportionately, Forest & Hirayama (2009) explain that an important consequence of neoliberal policy shifts are generational fractures in housing and homeownership opportunities. According to them, this signifies a structural transformation in the homeownership-based societies. What do they mean? Situating this within a common timeframe we will see throughout this review, they further add that during the period of high-speed economic growth, the early 1970s, many households ascended housing ladders towards property ownership attainment. Since

the 1980s, however, housing and employment markets have become unstable making it more difficult for young generations to obtain a foothold on the property ladder.

Supporting this housing aspect of neoliberalism and expressing how it impacts the poor, Lipman (2008) argues that real estate development has become a key speculative activity with properties essentially operating as financial instruments. Speculation, in turn, causes increases in property values and rising property taxes, driving out low-income and working-class renters and home-owners. Following this and making its impact clearer, Lipman (2008) refers to Haymes (1995) in describing the neoliberal discourse as having helped rationalize the destruction of public housing, displacement of communities of color and gentrification of their neighborhoods. This also means new patterns of spatial containment and the expulsion of people of color from the city center and out of the city entirely. Finally, Hackworth (2007) connects this concept of gentrification to neoliberalism when he argues that “the location, history and demographics of a particular neighborhood are all important factors in how neoliberalism gets localized through gentrification” (p. 123).

I now turn to the second part of this review and what the scholarship says about the social impacts of neoliberalism.

Neoliberalism Connections to Politics, Racism, Poverty and Education.

Neoliberalism and politics. Pedwell (2012) will present important thoughts that suggest that neoliberalism’s connection to politics actually meshes the once opposing views of the Democrats and Republicans into a common perspective. This idea is of paramount importance in understanding the power of neoliberalism in our everyday lives.

Viewing neoliberalism from a political perspective reveals its extensiveness and breadth to an alarming and one might conclude, frightening degree. In looking into neoliberalism's impact on politics, Peck & Tickell (2002) assert that what began as a starkly utopian intellectual movement was aggressively politicized by Reagan and Thatcher in the 1980's. The new religion of neoliberalism combines a commitment to the extension of markets with a profound antipathy towards all kinds of market interventionist (welfare state) strategies.

In taking a deeper look into neoliberalism's connection to politics, we start by recalling the British Newspaper, The Daily Telegraph, when on 22 May 1980, it introduced Margaret Thatcher's now well-known and famous acronym TINA, which stands for: There Is No Alternative; where she defended fundamental neoliberal thinking to her many critics as the only way forward from the economic malaise that plagued much of the world at that time. There is reason to give her seemingly narrow view a significant degree of credibility. Why?

Referring back to the opening paragraph that suggested a new common perspective among the major political parties, Pedwell (2012) analyzes the impacts on the writings of President Obama; specifically, his book, *The Audacity of Hope*, where he argues that the United States is suffering the effects of an 'empathy deficit'. The author attempts to theorize the politics of empathy in a context in where visions of community and social justice premised on empathetic engagement need to be situated within prevailing neoliberal discursive political and economic frameworks emanating from both sides of the political spectrum. He uses the work of Ong (2007) who describes neoliberalism as involving processes where by market-oriented logics come to order and refigure modes of political governance and citizenship. From this, the author clarifies that his intent is to offer a critical understanding of the discourses of neoliberalism in the context of the U.S.; those discourses that fragment and exceeds its borders, and condition and

shape the understanding of empathy. President Obama's writings are used as a primary source for his analysis.

Pedwell (2012) using the work of several authors, argues that the link between empathy and social justice has long been discussed within feminist and antiracist social theory. For example, he says that Jacqui Alexander and Chandra Talpade Mohanty argue that in a contemporary world order structured by transnational capital (i.e., global neoliberalism), engagement based on empathy is integral to processes of fostering social justice and building solidarity across otherwise debilitating social, economic and psychic boundaries. Springing from this thinking and from a political perspective regardless of which side it comes from, empathy is thus claimed by all and defined in all cases as positive. Understood in shorthand as the ability to put oneself in the other's shoes, empathy is, according to these narratives, what we want to cultivate in ourselves and others. It is the affective attribute that we want to define our society and which we hope will characterize our interactions with those living outside our borders. "When empathy is lacking or deficient, we need to nurture it. Where there is oppression or violence, empathy can heal" (p. 280). With these utopian definitions, I ask, who will argue against this idea of empathy? However, here's where it gets interesting.

Pedwell (2012) next argues that the political fortunes of George Bush, Bill Clinton and George W. Bush, all turned on a national discourse of empathy. For Bill Clinton it was the 'I feel your pain' that he benefited from and for the Republicans, the 'compassionate conservatism' worked for them as well. The author goes on to argue that Obama did not shy away from the affective use of such rhetoric. However, his thinking and elaborations, according to them, intentionally or not, still reflect the central aspects of a dominant neoliberal framework. Reminding his audience that the power of the market in our country to generate wealth and

expand freedom is both unquestioned and unmatched; Obama thus impels the American citizen to cultivate empathy as an emotional capacity alongside the imperatives to challenge yourself and take greater risks in the face of greater odds as a means to realize your full potential. Pedwell (2012), using the work of Ahmed (2004) argues that from these Obama narratives, “empathy sustains that very difference that it may seek to overcome” (p. 283). How so? The rationale they use is that subjects assume that they can feel what another feels in ways that fail to take account of the differences in history, power, and experience. I am in agreement and argue that they cannot, and that this is a false idea; as true empathy must take these extraneous factors into consideration to generate real feelings; which cause real behavioral changes; otherwise it is merely an emotionless intellectual exercise. In other words, I argue that ‘true empathy’ as an idea is one thing that is independent of external issues and is grounded in human biological and psychological emotional capacities to feel for one another. However, its application outside of these emotions as we are discussing here, is another thing entirely.

In concluding our analysis of the connection between neoliberalism and politics, Pedwell (2012) admits that the Republican discourses of compassion served merely as a code for the privatization of the state, and for the federal government's divestiture of responsibility for ameliorating social suffering by impelling individuals, local institutions, and faith-based organizations to take up this obligation themselves. On the other hand, the author argues that upon closer inspection, Obama's image of the empathetic American as a risk-taking individual who not only cultivates appropriate (albeit false) emotional capacities and skills, but also engages in healthy economic competition, is in essence, an ideal neoliberal citizen. Thus one may conclude that Margaret Thatcher's TINA, may indeed have some merit, as it has

foundations of neoliberalism coming from both sides of the political spectrum. Next in discussing specific impacts, we have arguments about neoliberalism's connection to racism.

Neoliberalism and racism. Roberts & Mahtani (2010) assert "there is a seductive, common-sense logic to neoliberalism that reproduces racist ideologies" (p. 250). In a more in-depth look into the racism connection, the authors introduce David Wilson's book: *Cities and Race: America's New Black Ghettos* (2006) that also examines the connection between neoliberalism and race. Wilson, in his analysis, argues that race is mobilized to show that racialized subjectivities are essential in justifying certain impacts of neoliberalization that are experienced disproportionately within racialized communities. The authors however are critical of this book and claim that it is more evocative than explanatory. They argue that in his book, the racist eruptions that result from neoliberal policies and practices are cited, but race is imagined as a fixed category, where individual racialized groups are seen as distinct and mapped onto neoliberal policy outcomes. From this they conclude that within neoliberalism, Wilson places racism as a socioeconomic process that has racial implications, but little is said about the ways that neoliberalism modifies the way race is experienced or understood in society. Thus they classify Wilson's work as a theorization of neoliberalism and race that is incomplete; at best.

To correct this, or perhaps to enhance it, Roberts & Mahtani (2010) recommend a move from analyses of race and neoliberalism towards analyses of race neoliberalism. What do they mean? To them, this kind of analysis more clearly delineates how race and racism are inextricably embedded in the neoliberal project. To begin the process of racing neoliberalism, it is essential to understand neoliberalism as a facet of a racist society that works to both reinforce the racial structure of society, while also modifying the processes of racialization. The violent racial history of the U.S. clearly supports this. They mention other researchers, Gilmore 2006;

McKittrick 2006 & Pulido 2006, as having pointed out that race is a fundamental organizing principle in society. In formulating their position more clearly, Roberts & Mahtani (2010) use the work of Davis (2007) below, who claims that under neoliberal racism, the relevance of the raced subject, racial identity and racism is subsumed under the auspices of meritocracy. For in a neoliberal society, individuals are supposedly freed from identity and operate under the limiting assumptions that hard work will be rewarded if the game is played according to the rules. Consequently, any impediments to success are attributed to personal flaws, not race. This attribution affirms notions of neutrality and silences claims of racializing and racism. In short, racism and neoliberalism are not just as causal connections the way Wilson describes them, but instead are imbedded in the very way neoliberalism is used to define society in general.

In a different look into the connection between neoliberalism and racism, Pedroni (2011) uses the city of Detroit for his analysis. He begins by arguing that in Detroit, the region's largely neoliberal corporate and political leadership maneuvers to reposition the city as the global hub of mobility technology, all the while it advances particular development strategies in urban education, housing, infrastructure, and governance; all with implications for social exclusion. He adds that in this process, strong connections to racist policies are created by reimagining the city to supplant the present dominant racially-coded narrative of a Black, chaotic, crime-ridden industrial hulk, with a vision of a metropolitan region as a gleaming, dynamic, hip and discursively white, global hub of emergent mobility technology. In a critical view of this, he adds that while such deployments are framed as both inevitable and in the best interest of everyone, they are also "deeply implicated in the restructuring and deepening of social and educational containment and exclusion, particularly for the city's overwhelmingly impoverished Black and immigrant residents" (p .204).

Davis (2007) adds to our discussion concerning neoliberalism and racism with a study she began by collecting data on battered women on welfare. She begins her analysis by claiming that her study sits squarely in the dramatic roll-back of the welfare state and a free- market enterprise of race-blindness, a strategy coordinated at the intersection of neoliberalism, welfare reform, and white privilege. What exactly does she mean by race-blindness?

Davis (2007) answers by telling us about the decades old Personal Responsibility and Work Opportunity Reconciliation Act of 1996 that institutionalized invidious restrictions on access to federal support for poor people. According to her, it simultaneously forced recipients into a low-wage market with the stunning expectation that nothing would interfere with their individual effort to move out of poverty; not even racism. She argues that this expectation was generated by conservative public intellectuals like Murray (1984) and ‘think tanks’ such as the Manhattan Institute. She then says that improvising race-blindness was so effective that by the 1990s, it was respectable to make it more difficult for Blacks to access public assistance and, due to the triumphant growth of the service sector, more difficult to secure employment at a decent living wage. As a result of this, although most people associated welfare negatively with Blacks, it was not viewed as racist to be against welfare. She asserts that the supposition that society is race-blind, is organized around a political agenda that forces claims of racism into silence. How is this connected to neoliberalism?

Davis (2007) answers this by arguing that race and racism are inextricably connected to historical, political and economic moments. She adds that it is crucial to contextualize altered expressions of race and racism to see how they are cast. Neoliberalism is typically characterized as a set of economic tenets promoting more efficient government. This efficiency is said to help individuals and countries compete better by proclaiming the private free market as the solution to

social problems. From here she gets very specific by claiming that neoliberalism involves decreased government responsibility for addressing social problems, privatization of public services, with examples running the gamut from schools run by the Edison Corporation to job placement in the Departments of Social Services being managed by companies like Wildcat.

Davis (2007) extends her understanding of the impact neoliberalism has on racism past these specific points where she argues there is much more to it than the reverence of free market principles. Neoliberalist practices pull into its sphere a market of ideas about a lot of things including family, gender and racial ideology. She references Lisa Duggan (2003) who discusses neoliberalism as being ‘saturated with race’; using capitalism to hide racial and other inequalities by relocating racially coded economic disadvantage and reassigning identity-based biases to the private and personal spheres. What does she mean here?

Davis (2007) responds to this question by arguing that within neoliberalism, the government absolves itself from its historic role in the intervention and managing of racial disputes; especially those involving education. What does she mean? A good place to bring to light her point is with Stephen Eisdorfer (1994) who discusses public school choice and racial integration in the Seton Hall Law Review. He tells us that “the Reagan administration initiative was perceived as an overt strategy to undo efforts to desegregate public school systems in the north and east. Thus, for historical reasons, even public school choice proposals trigger fears and suspicions that one of the intended effects of school choice is to terminate efforts to desegregate schools in the north and west and re-segregate schools in the south” (p. 943). These fears are historically based and show the dire need for government intervention to enforce integration on those who oppose it.

An example of this necessary government intervention exploded in the public eye in 1963. Then Governor George Wallace told his constituents that ‘in the name of the greatest people that have ever trod this earth, I draw the line in the dust and toss the gauntlet before the feet of tyranny, and I say segregation now, segregation tomorrow, and segregation forever’. This was his response to an attempt by two black students to register in the University of Alabama. President Kennedy was forced to federalize the Alabama National Guard to enforce the law forcing Governor Wallace to back down.

This now famous historical incident provides a powerful and dramatic example and understanding of the absolute need for government intervention in racial disputes in our country. This is what Davis (2007) argues is being relinquished by the current neoliberal imperatives. We now turn to the impact neoliberalism has on poverty; a related concept.

Neoliberalism and poverty. The idea of poverty is itself a very complex topic with many dimensions. Yapa (1996) in his book: *What Causes Poverty? A Postmodern View* where he uses Foucault’s thinking on power as his foundation in analyzing the causes of poverty. The author starts by arguing that poverty is represented in the literature as essentially an economic problem; i.e., people are poor because they do not have enough money to purchase a market basket of basic goods and services. In other words, they cannot afford to buy food, clothing, shelter, and health services. This, to me, is a somewhat simplistic yet very meaningful description of poverty for our purposes. From this, one can easily see the neoliberal connection; where the situation of lack, can be corrected through investment, economic growth, job creation, improved education, and so on; precisely what we all hear as part of the modern discourse on poverty elimination.

Yapa (1996) next becomes a bit more technical, but provides a connection between poverty and neoliberalism when he adds that “within the academic terrain, the discourse on

poverty has been constructed at a particular theoretical locus whose principal defining characteristic is economism, the dominant worldview of the social order composed of a market at the economic base, a superstructural value system to facilitate the working of the market, and an academic discourse constructed to rationalize the general commodification of use values” (p. 718). What does he mean?

In my view, Yapa (1996) is referring to Foucault’s (1973a) thinking on power foundations inasmuch as neoliberalism creates in its discourse, a reductionist argument which claims that the lack of food, shelter, and health care is an economic problem that in turn calls for economic solutions. By defining poverty as an economic problem, as a lack of, (here’s where Foucault’s thinking really comes in) we are prevented from seeing how the scarcity of basic goods is in reality, socially constructed. Supporting this, Yapa (1996) provides a set of examples and illustrations that should suffice to make this conclusion of economic scarcity being socially constructed very clear.

Yapa (1996) spells out a number of ways of improving the nutrition of poor families. These include reducing the purchase of expensive processed foods, establishing cooperatives to encourage bulk buying of produce, giving access to community kitchens, raising food in home gardens, and, in rural areas of the Third World, disseminating knowledge of edible leaves and plants with food value. From this, the author concludes that we intentionally neglect a myriad of options and possibilities by approaching poverty as an economic problem related to income, and thus prevent the resolution of the very problem that we are trying to solve. I think it fair to say that all these solutions listed by the author (there are obviously many, many more one can think of) are not in line with the neoliberal worldview, since none of them even come close to the idea of profit maximization and its close cousin, wealth creation; both of which are at the heart of the

neoliberal soul. In my view, poverty is not only created by neoliberalism, it is required as part of its very survival.

The key to explaining this, is the idea of maximization. Profits are inescapably tied to both supply and demand as something fundamental. Inserting poverty into this economic view, in obtaining profit maximization, demand is assured through the Foucauldian idea of poverty being constructed and defined as a 'lack'; where neoliberalism presents itself as a solution to this lack. From the perspective of poverty, no 'lack' means no maximization of the demand side which is why I argue that neoliberalism needs poverty for its very survival. It should be noted that this explanation of survival does not apply to liberalism, even though it too is a function of supply and demand. The difference is that in liberalism, the idea of profits is not based on maximization; just market fundamentals; making it an entirely different animal.

Following this line of thinking, Bush (2007) in his book: *Poverty and Neoliberalism*, argues that data and material on poverty and income distribution are voluminous, but are almost entirely driven and conceptualized within a 'neoclassical' framework. He says that is accomplished by stressing the benefits that a liberalizing of the markets brings to the poor and insisting that the exclusion of the poor from these markets needs to be reduced; points that would seem, by many, to be an attempt to help the poor. However, he points out that this discourse neglects how poverty is created in the first place and how it is reproduced. He argues that poverty does not emerge because of exclusion, but because of poor people's incorporation into economic and political processes; agreeing with Yapa (1996) when he said that we intentionally neglect viable options that can help the poor. Another way of looking at this is that the very idea of poverty prior to industrialization, is a philosophical one; not an economic one. In other words, poverty is a socially constructed idea of the modern industrial age.

With a dire conclusion, Bush (2007) claims that neoliberal mechanisms look everywhere to commoditize and control resources of labor, food, land, minerals and finance. The hierarchy of states (nations) and especially Africa's position within it, has been sustained by the neoliberal agenda to universalize the rule of capital and subordinate resistance to it. He adds that the representation of capitalist's interests is deemed as universally good for poor countries and that there is no possible alternative seen by global leaders. In support of this, we can recall Thatcher's TINA in the neoliberal connection to politics. Here again, I see this as a case where a Foucauldian analysis would view this idea of eliminating poverty via economics as a power play that forces people to view it as a natural condition solvable by economics, when in fact it is a socially constructed one to the sole benefit of the elite.

Additional views on the connection between poverty and neoliberalism can be found in Lazzarato (2009) who claims that one of the consequences of the intervention of neoliberal politics in the domain of the social, is an increase in poverty. Also we have Quiggin (1999) who asserts that neoliberal reforms have contributed to labor market inequality in two ways. First, they have, in general, favored managers and highly-skilled workers and have removed interventions that protected the interests of less-skilled workers. Increasing wages for highly-skilled workers and reducing wages for less-skilled workers obviously leads to greater inequality and poverty.

Continuing with the connection to poverty, Huber & Solt (2004) provide a quantitative analysis of poverty and its relation to neoliberalism. They use what is referred to as the Gini index, which measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution. It is a well-regarded index among researchers studying global poverty. It plots the

cumulative percentages of total income received against the cumulative number of recipients, starting with the poorest individual or household. Bypassing the purely technical terminology and formulations, a Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality. Looking at many countries that have adopted neoliberal reforms, the authors conclude:

We see that the more radical reformers started out and ended up with lower levels of inequality than the more moderate reformers, as both sets of countries saw an increase in inequality. However, the gap between the two sets of countries narrowed considerably, as the more radical reformers increased their Gini index twice as much as the more moderate reformers. The greatest costs in terms of inequality were incurred by drastic reform episodes; countries that had more drastic reform episodes increased their Gini index nine times more than countries that avoided them. There is no doubt, then, that higher levels of neoliberalism and more aggressive tactics of liberalization are associated with rising inequality. The picture on poverty is equally consistent. More liberalized economies and more radical reform approaches are associated with higher levels of poverty (p. 156).

It is clear, from my view, that this data suggests that the connection of neoliberalism and inequality, with its resultant impact on poverty, is proven, at least within their study. The study also suggests that the global aspect of neoliberalism that was addressed earlier may indeed make global poverty another requirement to the continued growth of neoliberalism. It also provides an

intuitive connection to Martinez & Garcia (1997) when they said with neoliberalism, the rich grow richer while the poor grow poorer.

In a final look into the connection between neoliberalism and poverty, Dixon (2012) presents us with probably the most insensitive analysis yet. He begins his article by saying that neoliberalism postulates that living in a state of poverty is an objectively knowable social phenomenon. It theorizes that the causal explanation for people living in poverty is grounded in the inappropriateness of their intentional mental states, the content of their hopes, aspirations and goals. Neoliberalism also moralizes this by claiming that the poor have an obligation to critically assess the consequences of their own situations of not working when there is work available and that they should be held responsible and accountable for not doing so. From this, neoliberalism claims that the undeserving poor can be counted on to abuse tax-financed welfare support. In other words, the poor choose to be poor to their benefit. This may very well neatly sum up and describe the soul of the neoliberal view; as it relates to the poor.

In a critical rebuttal of this neoliberal position concerning the poor, Dixon (2012) argues that neoliberalism's predisposition to a naturalist epistemology means that it is blind to poverty's ideational and structural dimensions and is thus unable to speak with any degree of certainty about the nature, causes and consequences of poverty and its solution. He concludes that the neoliberalism's discourse on poverty is in essence a discourse on human nature; asserting that the poor can choose not to be poor. This, in my view, serves to support the neoliberal right wing political position that the poor are on their own; and that the rich getting richer, is their only legitimate concern.

We have now reached the last segment of our review. Here we will specifically look to refine and focus our understanding of Carter & Welner's (2013) argument via the neoliberal

connection to urban education. This will hopefully provide a more direct link between the phenomenon under study and the real impacts it has on education and urban life. We begin with examining the purpose of education, then discuss diversity, pedagogy, economics, class struggle and privatization before concluding the review with a summary of common themes.

Neoliberalism and education. This special section will build on the Chapter One section entitled Troubles in Urban Education. It was described there as the reason for this study in the first place. Recall Kozol (2005) who claimed that as result of the poor performance of urban schools, the Wall Street Journal in 1990 wrote: some 60 of the city's giant corporations have taken over the production lines themselves. This was in reference to their investment in the creation of a school model in a predominantly black neighborhood that was intended to embody corporate ideas of management and productivity. Also recall Scott & Dimartino (2009) who argued that many researchers have observed the use of the private sector in education and that is has a long history. They argued that within the last three decades, education privatization has been attached to an ideological argument about the superiority of the private sector over the public; especially with regards to remedying what many conservative and neoliberal advocates regard as the failure of public schools to provide excellent education given public resource allocations. The reader will see later in the analytic chapters that this timeframe synchs with the explosive growth of neoliberalism.

In possibly the most direct, powerful and blatant connection between neoliberalism and education that happens to be local, Lipman (2010) discusses the decay of urban schools here in Chicago. She tells us that on June 24th 2004, then mayor Richard J Daley announced the Renaissance 2010 school plan to close 60 to 70 public schools and open new schools; two thirds to be managed by private organizations or companies and staffed by non-union teachers and

school employees. It was initiated by the Commercial Club of Chicago, a potent private organization of the most powerful corporate and banking CEO's and civic elites. Just one month after announcing Renaissance 2010, the mayor presided over the opening of Millennium Park, a half-billion-dollar public private project; a world class park, sculpture garden and performance space on Chicago's Lakeshore. This new park was to be a crown jewel in a reconstructed downtown of corporate towers, tourism and leisure.

Lipman (2010) argues that these two seemingly unrelated events exemplify the intersection of education policy, economic restructuring of the city, and the cultural politics of race; as both represent important milestones in a neoliberal urban agenda developed and driven by the most powerful corporate and financial interests of the city in conjunction with the mayor and key city officials. Her analysis shows, in very explicit fashion, how neoliberalism creates a solid connection between state government and private interests that heavily impacts urban education.

We can locate an important historical quantitative methodology used to ground the modern connection between neoliberalism and education in Goldstein (2014) from her book *Teacher Wars*. She reveals the economic thinking that creates much of the methodology used for current teacher, student and school evaluation. She starts by reminding us that during the 1950's and 1960's most of education research was done not by testing experts but by psychologists and sociologists. Back then, researchers would seek to answer questions like: what makes a teacher successful? They looked for personality traits like warmth, extroversion and conscientiousness. Because of these twenty plus years of research, there was an enormous amount of data to analyze. Since the 1970's "statisticians and economists have used this data to ask a much narrower question: which teachers raise or lower a child's test scores?" (p. 205). To answer this

question, they developed a concept called value-added measurement. This will be a key idea in the rest of this section. The early somewhat crude method used a student's score on an end-of-year standardized test to predict her score on the following year's test. Teachers who presided over larger than expected jump scores received larger value-added ratings.

A more nuanced value-added formula was developed in Dallas in the 1990's. Statisticians and economists now recognized that disadvantaged students tended to experience slower academic growth regardless of how good their teachers were. It was determined that factors like poor nutrition, homelessness and other social circumstances contributed to their performance. From this the Dallas research team created a value-added formula that gave teachers bonus points for working with disadvantaged kids. "Value-added measurement changed pretty much everything in our national conversation about student teaching" (p. 205). Goldstein (2014) adds that this new statistical technique grounded the No Child Left Behind Act where student snapshots from one year to the next produced the teacher and student achievement scores that guided policy and action. Goldstein (2014) states clearly that these snapshots made the teachers and schools that serve poor children look especially bad because they earned low scores year after year.

Continuing with further discussion of the impact of these value-added statistical techniques on education, we now look at the work of Ravitch (2010) from her book *The Death and Life of the American School system: How testing and Choice Are Undermining Education*. She argues that NCLB changed the nature of public schooling across the nation by making standardized test scores the primary measure of school quality. "The rise or fall of test scores in reading and mathematics became the critical variable in judging students, teachers, principals and schools" (p. 15).

This connects directly back to Lipman (2010) where she discussed the Renaissance 2010 school plan to close 60 to 70 public schools and open new schools; two thirds to be managed by private organizations or companies and staffed by non-union teachers and school employees. I believe it valid to suggest that it was the use of data generated by the value-added statistical techniques that was used by the Commercial Club of Chicago as rationale for the school closings. Chapter Four will detail why this quantitative use of numbers to predict things that have a social nature like education is problematic at best.

Continuing with the connections between neoliberalism and education, recall from Chapter One that I stated that the reason I began this study was the first hand experience I had in the negative rapidly changing environment in adult education. Malcolm Knowles (1969) from his book *Higher Adult Education in the United States: The Current Picture, Trends and Issues* discusses what he views as the ultimate issue in adult education. It is worth quoting at length as it strikes at the very heart of the neoliberal connections with education we are seeking to establish:

The educational establishment for all its size and strength cannot help but to take notice of the size and strength of the corporate goliaths which have entered the field of education. Xerox, Time, General Electric, I.B.M., Raytheon, R.C.A., C.B.S., Minnesota Mining and Manufacturing Co., Litton Industries, Lear Stigler, and Westinghouse have all taken on one or more educational activities which go beyond the manufacture of materials and equipment or in-service training programs for their own employees. Clearly the survival of higher adult education as a university function is threatened unless university policy-makers successfully resolve the issues now confronting them (p. 46). In my view, Knowles' (1969) bold listing of these specific corporate entities directly into the arena of education is a satisfactory example of the connections

to neoliberalism. Also recall Kozol (2005) from Chapter One who detailed the direct corporate influence in urban schools as early as kindergarten.

Diane Ravitch (2010) now provides a neoliberal connection to education in New York that preceded but is very similar to Pauline Lipman's Chicago connection. She tells us that in the fall of 2001, Mayor Michael Bloomberg and his schools chancellor Joel Klein applied business principles to overhaul the nation's largest school system which had a student population exceeding one million. They reorganized the management of the schools, battled the teacher's union, opened large numbers of charter schools, advocated for merit pay, closed dozens of low-performing schools and institutionalized the idea of choice.

As a note to the school closings just mentioned, this is a good time to recall the above discussion by Goldstein (2014) who revealed the history of value-added statistical techniques developed by economists and statisticians in the 1970's. She reminded us that these techniques made poor schools look exceedingly bad thus providing a rationale for the closings. This should not be underestimated as quantitative analysis in and of itself often has the power to reduce or even eliminate critical questions about the findings.

As a specific example of this, Ravitch (2010) admits forthrightly that she at first supported the mayor's takeover of the school system. But soon after said "I was increasingly disturbed by the lack of any public forum to question executive decisions and by the elimination of all checks and balances on executive power" (p. 77). This had such a significant impact on her that she joined with Randi Weingarten, president of the New York City United Federation of Teachers to co-write an opinion piece in the New York Times denouncing the automatic nature of the school system. The article concluded that under this new system, the public had been left out of public education.

In response to this and to emphasize the dominant quantitative power-driven nature of this new system of education Ravitch (2010) tells us that:

The mayor and chancellor staunchly maintained that any attempt by the state legislature to erode the mayor's total authority over the schools or to reestablish an independent board, especially one where members had fixed terms, would destroy mayoral control. Chancellor Klein told a legislative hearing that if you have divided authority what you have is no one in charge. An independent board would return this this city to the politics of paralysis. (p. 77)

At the risk of being redundant it is important for me to reemphasize that in my view much of this drama in education is grounded on the findings and use of quantitative analysis only. This cannot be overstated. The reader will see in Chapter Four that this same thinking where economists predict human behavior solely from quantitative analysis, represents a core principle of neoliberalism known as *homoeconomicus*. It will show that it is problematic at best.

Recall Lipman (2010) who specifically mentioned the Commercial Club of Chicago, a group of banking CEO's and civic elites as responsible for closing many urban schools. Ravitch (2013) provides a fuller analysis of this private/corporate influence in education in her book: *Reign of Error: The Hoax of the Privatization Movement and the Danger to America's Public Schools*. She asks the question: who are these corporate education reformers? She begins by arguing that the education reform movement must be defined in terms of its ideology, strategies and leading members. They, the reformers, begin by placing themselves on a lofty perch. They proclaim universally accepted desires for education: excellent education for all students, closing

of the achievement gap, innovation and effectiveness; in short the best of everything for everyone. Who would be against that?

Ravitch (2013) then states her position unequivocally. Reform, she argues, is really a misnomer because “advocates for this cause seek not to reform public education, but to transform it into an entrepreneurial sector of the economy” (p. 19). She also suggests that the those who constitute today’s education reform movement have hijacked the word reform because of its positive connotations in American political discourse and American history. In fact, she argues “the roots of this so-called reform movement may be traced to a radical ideology with a fundamental distrust of public education and a hostility towards the public sector in general” (p. 19). This paper argues that that radical distrustful ideology she is referring to is neoliberalism. Chapter Six will specifically detail the social genesis of this distrust of the public sector in favor of private interests and Chapter Seven will detail how this same distrust was transformed into policy.

Ravitch (2013) argues that business leaders expect schools to compete by cutting costs. “The only way to do this is to reduce the number of teachers or lower the costs of teachers. That means schools must have larger class sizes or must replace teachers with technology or substitute low-wage, inexperienced teachers for costly experienced teachers” (p. 303). But the obvious question is does this produce better education? Her response is small classes matter, especially for minority students in the elementary grades, students who do not speak English, students with disabilities and students who can’t keep up with the pace of instruction. Of special importance in response to today’s deluge of personal computers in education she argues:

there is no evidence that students learn more or better when taught on computers. Computers have exciting uses in the classroom as a supplement to good teaching, as a vehicle for research

and exploration as a means for cooperative learning and student projects. But computers are not a satisfactory substitute for a human teacher (p. 303).

Ravitch (2013) ends her important book in the arena of politics with a rather scathing denunciation of the overall education reform movement. She argues that now with the hindsight of more than a dozen years, we can see the damage done by NCLB to the nation's educational system. The Race to The Top Initiative announced by President Obama and his education secretary Arnie Duncan made matters even worse:

They actually doubled down on the wrongheaded assumptions of NCLB and further promoted its demoralizing and punitive policies. The practice of closing schools because of low test scores has become routine, barely getting notice in the media; before year 2000, it was a rare occurrence. In the past, those in charge of school systems were expected to fix troubled schools, not shut them down (p. 314). The very last sentence in her book says "protecting our public schools against privatization and saving them for future generations of American children is the civil rights issue of our time" (p. 325).

Continuing with our look into the connections between neoliberalism and education, we now discuss the thoughts of Russakoff (2015) from her book *The Prize: Who's in Charge of America's Schools?* She begins by reminding us that in 1983, what she referred to as a five-alarm federal report, *A Nation at Risk*, claimed that American children had fallen significantly behind those in other industrialized countries, jeopardizing the nation's economic competitiveness. The report categorized the state of U. S. education claiming that if such a poor system were imposed on us by a foreign power, it would properly be viewed as an act of war.

Russakoff (2015), using a newly defined group of people known as venture philanthropists, reminds us that generations ago, prior to the rise of neoliberalism, the foundations of early twentieth century industrialists had dominated education philanthropy. “Beginning in 2000 there was a rapid changing of the guard as living billionaires - Bill Gates of Microsoft, the Walton Family, Michael Dell of Dell computers, and Eli Broad, the California insurance and real estate magnate, became the nation’s top donors to K-12 education” (p. 8). These new donors specifically directed their significant newly acquired financial muscle at urban education in a reaction to the Nation At Risk report. Just before these new philanthropists began influencing education, the most spectacular of these donors was Walter Annenberg who in late 1993 stood with Bill Clinton in the White House Rose Garden and committed 500 million dollars to ‘guarantee our nation’s future’ by financing reforms in thousands of urban and rural schools.

Russakoff (2015) reminds us that in addition to these specific billionaires, top corporate leaders worked alongside governors to raise state academic standards and institute standardized testing to monitor student progress. Their efforts ultimately led to the No Child Left Behind law signed by President Bush in 2002. Assuming this history, along with the findings from the Nation at Risk report are accurate, what is wrong with pouring significant amounts of money into the problems of urban education? After all, it would be hard to imagine changing the future of urban education and hence our country’s competitiveness, without a large investment. A return look at the people behind this new investment, people now referred to as venture philanthropists, will expose our connection between neoliberalism and education.

Russakoff (2015) argues that these new philanthropists see themselves as investors as opposed to donors. This is an important distinction not to be underestimated and a major change in the idea of philanthropy:

In the past, if you gave money to say housing or the arts, the need would be perpetual. You didn't believe it would one day sustain itself. But this group of people understand leverage. If you get education right, you're going to get people jobs, reduce incarceration rates, etc. So the idea was to help people analyze what's not working and inspire entrepreneurs to solve problems. (p.9)

This places us at the heart of our connection. These new venture philanthropists now, as opposed to the old idea of perpetual giving, seek returns in the form of sweeping changes to public schooling. With knowledge gained from their economic success, they use management consultants and the kinds of analytic tools that fueled the rise of their own companies. They pressed for data-driven accountability to measure the effectiveness of teachers and schools.

Recall the discussion by Goldstein (2014) on value-added measurement where she reveals the brief history of the current data analysis methodology Russakoff (2015) is now saying is used by these new venture philanthropists. Goldstein (2014) argued that value-added measurement changed pretty much everything in our national conversation about education.

Next we have Sleeter (2008) who argues that neoliberalism has become a tool for the restoration of elite power in which education serves as a resource for global competition and private wealth accumulation. The author goes on that state that teacher education has come under assault in the context of neoliberal pressures on education and on society broadly. In concluding remarks, the author states that in the long run, the socio-political restructuring under neoliberalism is probably detrimental to historically underserved communities. She ends her article by arguing that teacher educators now must become more aware of what neoliberalism is and how it is impacting a range of social institutions in order to mount what Weiner (2004) refers to as a political defense of education's value as a public good. This gives us an initial idea of

how neoliberalism guides and intimidates the thinking of others, in this case, educators. It seems to put them on the defensive for the first time in needing to justify their actions that were once thought good for society by nearly everyone.

Giroux (2004) provides a deeper look into the connection between neoliberalism and education where he terms the current state of education as the dominant public pedagogy with its narrow and imposed schemes of classification and limited modes of identification which uses the educational force of the culture to negate the basic conditions for critical agency. Giroux (2004) uses the term 'liquid modernity', which means that the power of the dominant order, is not just economic, but also intellectual; lying in the realm of knowledge, information, beliefs, and ideas. In my view, he is getting at with this term is a sort of neoliberal brainwashing of the populace, particularly those connected to the field of education. In other words, neoliberalism has greatly curtailed educators' ability to critically analyze their own situations. If true, and I believe that is it, nothing is more dangerous to the future of education.

Giroux (2004) continues and provides an even more direct connection to education. He claims that under neoliberalism, pedagogy has become thoroughly reactionary as it constructs knowledge, values, and identities through a variety of educational sites and forms of pedagogical address, that have largely become the handmaiden of corporate power, religious fundamentalism, and neo-conservative ideology. This supports Kozol (2005) who spoke in detail of the influence of corporations in urban schools in Chapter One.

Hursh (2004) continues our connection between neoliberalism and education; here specifically looking into public education. He begins with re-stating a primary objective of education that has been known to most for some time now, then proceeds to discuss what has changed. He states that knowledge that education exists in large part to develop productive

workers is not new. Throughout most of the twentieth century, compulsory education in the USA focused on efficiently preparing students for the workplace. He next states that over the last several decades, neoliberal policies have replaced Keynesian (welfare state) economic and political policies while, at the same time, economies have become increasingly globalized with the growth of multinational corporations. From this he discusses the so what. He argues that the rise of neoliberal policies and globalized economies has produced changes in the U.S. educational system. Until recently, education was primarily a local concern, with comprehensive high schools preparing students for university or semi-skilled jobs. Also, teachers' work was bureaucratically controlled via administrative rules and regulations. What has changed?

Hursh (2004) argues that over the last decade, educational purposes and processes have changed and been transformed; as political and corporate leaders demanded a response to increased international economic competition. He goes on to add that policy makers at the local, state, and federal levels use international economic competition to insist that schools become more efficiently managed and produce productive workers. At the same time, bureaucratic methods of governance have been replaced by systems of standardized testing and accountability in which schools are compared with one another and in which they face both rewards and sanctions. As specific examples of this, he supports the work of Lipman (2009) when he tells us that with the No Child Left Behind Act (NCLB), the Bush administration has not only mandated a massive testing and accountability program but also introduced markets and privatization as a central means of reforming education. By designating large numbers of public schools as failing, the administration hopes the public will demand that public education be replaced by private education.

We continue with Hill (2003) who examines the neoliberal connection to education from an economic viewpoint. He argues that the restructuring of the schooling and education systems across the world is part of the ideological and policy offensive by neoliberalism. The privatization of public services, destabilization of non-conforming governments and, ultimately, the armed forces of the USA and its allies, have resulted in the near-global establishment of competitive markets in public and welfare services such as education. These education markets are marked by selection and exclusion and are accompanied by and situated within the rampant and exponential growth of national and international inequalities.

Hill (2003) is telling us, albeit indirectly, that there is indeed a force behind these neoliberal changes that have impacted education. He says that it is the power of capital accumulation that creates the organizations, who in turn create and maintain the ideology that now permeates education. Here, in my view, the author is introducing the real force behind neoliberalism that few, in my opinion, discuss and analyze in length, i.e. the power of capital itself. This will become the critical underlying theme of this study and will be elaborated on in detail in Chapter Four.

To support my argument that capital accumulation is the root force behind these neoliberal influences in education, Hill (2003) discusses work by Harvey (2005) who argues that while the intellectual roots of neoliberalism reach back to the 1930's, its material origin stems from a crisis in capital accumulation of the late 1960's and 70's. Harvey believes that this crisis constituted a political and economic threat to the elite class across all capitalist countries. In a powerful and very provocative assertion, he states "the upper classes had to move decisively if they were to protect themselves from political and economic annihilation" (p. 14).

Returning to education, Hill (2003) posits that education is now big business; as he refers to it as 'edu-business'. He uses the work of Santos (2004) who, in a quantitative study, claims that current worldwide spending on education is estimated to be nearly 2 trillion dollars, which is more than global automotive sales. His work is more targeted to our look into education when he claims that capital growth in education has been exponential, showing one of the highest earning rates of the market. For example, in London, it represented an increased value of 240% while during the same period, the London stock exchange posted increased value of only 65%. One can easily deduce from this data the powerful incentive for corporations to invest in education; thus explaining their new influences; as expressed by Lipman (2009) and Kozol (2005) in Chapter One.

In analyzing neoliberalism's connection to education, with class struggle as an additional variable, Weiner (2004) makes the point that as workers throughout the globe struggle to gain control over the conditions in which they labor, as well as the means by which capital is produced, the importance of understanding class struggle, class formation and class consciousness as they relate to education and schooling takes on a new urgency. His rationale here is that class consciousness should be a historical actor within education. With this, he argues that by erasing class as a historical actor, social and educational theorists, as well as other political workers, miss significant pedagogical opportunities to heighten class consciousness, create class formations, and enliven class struggle so that the future has an opportunity to become something other than what the present suggests it will be. Since it is clear, in my view, that the present suggests that only a select few will be successful, this is yet another form of neoliberal brainwashing; possibly even more insidious inasmuch as its objective is to eliminate

hope as a possibility for the oppressed. In other words, the poor and those without much means should simply accept their lot in life as life and be satisfied.

In yet another look at the connections between neoliberalism and education, we now focus on the concept of privatization; particularly as it impacts urban schools. Scott & DiMartino (2009) begin with discussing exactly what privatization means. They claim that educational privatization is well underway in all major cities in the country with unprecedented shifts in school leadership, governance, management, and accountability. They next add that this new movement enjoys the support of policy elites in government and foundations as well as the tacit approval of many local school stakeholders, including new educational leaders, teachers, and community groups. Yet privatization remains a controversial and contested issue in public education where significant constituencies, such as teachers' unions, civil rights groups, and many community-based organizations, strongly oppose it.

Scott & DiMartino (2009) explain that pro-privatization advocates often frame privatization as a last-ditch effort to address educational inequality, especially the racial achievement gaps on standardized assessments. They argue that with privatization comes innovation, parental choice, efficiency, effectiveness, and accountability. It is easy for one to see how the position these advocates of privatization take, stands on somewhat solid grounds. Those opposing privatization argue that the prospect of profits being generated from under-resourced schools represent a loss of democratic governance and community input. In addition, they question the qualifications of those who come into leadership and policy roles under privatization reforms.

In a critical look at education and privatization, Scott & DiMartino (2009) discuss the lack of consensus on just what privatization actually means. They argue amidst the debates pro

and con, there is also disagreement about what “privatization” is. In bringing to light the impact of a lack of understanding, they argue that teachers, leaders, parents, and community members are often making decisions about whether and/or to what extent they will participate in reforms falling under the privatization umbrella with inadequate information about the scope and implications of their participation. In other words, opponents, according to them, often act without adequate knowledge of what it is they are opposing. Add to this, they claim that popular depictions of privatization often portray it as primarily a shift in fiscal management or economic processes, and ignore the social and political shifts it harkens. The authors conclude that these renderings fail to provide a more complex exploration of privatization that can clarify what it is, how it is expanding, where it is taking hold, what implications it has for urban school reform, and why particular school districts seem to be hotbeds for privatization activity. This is where privatization’s connection to neoliberalism will begin to emerge.

In developing a workable theory of privatization in education, Scott & DiMartino (2009) rely on the work of Minnow (2002, 2003) who argues that the private sector need not be seen just as rivals but also as partners to the public sector. The authors claim that this perspective on privatization calls for a broader public debate about the possible contributions the private sector can make as partners to government in providing social services, rather than merely operating as rivals. This debate would include deliberation about the political and philosophical aspects of such partnerships in terms of democracy, accountability, transparency, and equity. I am strongly in favor of this debate but ask; what does it really mean and where would it lead us?

In formulating a response to these questions, Scott & DiMartino (2009) use work done by Wells & Scott (2001) who argue that the prevailing definitions of educational privatization tend to underemphasize its political and social aspects, and instead focus on the administrative,

economic, or technical characteristics. The authors, with this in mind, define privatization as a range of reforms that redistribute resources and control over most aspects of schooling away from traditional public governance structures to a disparate assemblage of parents, teachers, school leaders, community members, private sector actors, and private organizations.

The dissecting of this somewhat complex definition will direct us to privatization's connection to neoliberalism and comes under a separate title the authors refer to as: Educational Privatization: Ideology, Race and Scale. Under this heading, the authors point out that within the last three decades, educational privatization has been attached to an ideological argument about the superiority of the private sector over the public, especially with regards to remedying what many conservative and neoliberal 'advocates' regard as the failure of public schools to provide excellent education given public resource allocations.

Scott & DiMartino (2009) boldly tell us that these 'advocates' are influenced by the work of Milton Friedman (1962) and regard public education bureaucracies as monopolies beholden to the constraints of unions with little market incentive to fundamentally change practices. Furthermore, more recent realizations of neoliberal and conservative visions for schooling include a retreat from race-conscious reforms of recent decades and a radically altered state role in the provision of public schooling, with private sector actors at the leadership helm.

Rist (2002) in his book on Urban Schools as Factories of Failure, begins to close our investigation into the connection between neoliberalism and education with a very sorrowful but powerful summation taken from his study of the St. Louis public school system. He writes that throughout the various levels of the school system were found commonly shared assumptions about how things really are. The 'basic tenets', as he calls them, may be summarized as follows:

Middle class students can learn, lower class students cannot; white schools are good, black schools are bad; control is necessary, freedom is anarchy; violence works, persuasion does not; teachers can save a few, but will lose many; the school tries, the home will not; and finally, only the naïve would dispute these beliefs, as the wise know (p. 241).

In my view, these ending thoughts of Rist (2002) should not be dismissed lightly; as they are not totally devoid of truth. With this sad, nihilistic and hopeless commentary, when asked what is to be done with America's schools, the author responds that any answer will be like opening a Pandora's Box. I am in agreement. According to him, the alternatives range from a return to traditional emphasis upon such skills as reading and writing, to the creation of 'discovery centers' where children would be free to plot and chart their own courses in what they seek to learn, to the ultimate disbanding of schools as a distinct institution. These ideas are worth considering.

Hopefully, the connections between neoliberalism and education have now been established. Before concluding this special section, I wish to show how this connection has changed the historical view of education as a tool for social mobility; an important perspective that ties back to the reason for this study.

Urciuoli (2010) reminds us that Americans have always thought of higher education as a vehicle for career opportunities. However, over the last quarter century higher education like U.S. education generally, has become increasingly restructured, reexamined, and subjected to outcome-oriented and cost reduction assessment. Students now go to college in an atmosphere saturated with a new neoliberal imaginary; a frame of mind characterized by an ethic of entrepreneurial self-management.

Urciuoli (2010) tells us that each student now becomes responsible for parsing himself/herself into elements whose primary function is productivity; making profit for oneself or one's organization. Career counselors provide students with self-assessment devices and workshops that urge them to consider their personal skills inventory. Within this conceptual framework, every piece of knowledge one acquires can be interpreted and assessed as a skill; an aspect of oneself that can be considered productive by prospective employers. Skills thus become a form of self-marketing, and students readily come to imagine themselves as 'bundles of skills'. What's wrong with this?

According to Urciuoli (2010), this new neoliberal imaginary creates a subordination of learning to skill production, which then becomes the reimagining and reification of communication and diversity as mutually coherent skills that become pieces of the self that can be marketed as productive. What this means to diversity is critical. The now flourishing 'diversity industry' emerged in the 1990's as a corporate response to affirmative action hiring policies. According Urciuoli (2010), this corporate response shifted diversity from a quest for social justice grounded in the civil rights movement, to a kind of social commodity. What does she mean and how is it accomplished?

Diversity itself is predominantly institutionalized through the recruitment/ admissions process, program structures and course selection. Referring back to the idea of students as bundles of skills, the cumulative effect of much of this institutional production, is the discursive restructuring of diversity as a thing that people have. Urciuoli (2010) next uses work by Handler & Gable (1997) who argued that what people identify and reify as a culture is cumulatively produced by institutionalized processes and discourses, and particular aspects of that production may well reflect corporate processes and interests. From this they claim that diversity itself has

no a-priori existence apart from said institutionalized processes from which it emerges, and when those institutional processes are subsumed, wholly or partially, into contemporary corporate actions and policies, what emerges is a strikingly neoliberal version of diversity.

In addition, Urciuoli (2010) argues that diversity is used in ways that align its users with a marketized skills perspective. From this, the use of diversity within this new neoliberal framework transposes the important aspect of diversity from the group to the individual, thus aligning it to the bundles of skills concept. In other words, corporate influences in education have used the very structures and processes that schools use to ensure diversity, and transformed them into productive skill additions of each individual student to the benefit of their own interests. This explains the common reference to black women going into the work world as ‘two-fers’. i.e., they are doubly valuable to corporate interests, as they satisfy two aspects of their diversity requirements in one person. One can say that this is satisfying music to lovers of efficiency.

Literature Review Summary: Major Themes

The etymological similarities between liberalism and neoliberalism indicate that both came into existence to combat the idea of the welfare state, or what is also known as Keynesian economics. It was shown that neoliberalism has taken this opposition to welfare policies global in a very powerful way that has significant and far reaching implications. The global dimensions of neoliberalism were clearly and emotionally established by Unger et.al. (2008), Grimson (2008), Ahonen (2002), Demissie (2008) and He & Wu (2009); where each gave remarkably similar yet highly contextualized versions of neoliberalism’s impact in their respective countries. It was also shown the neoliberal impacts are seen in countries besides China that one would not expect, like Cuba and Venezuela. This wide range of differing national contexts gives support to

Peck & Tickell (2002) when they argued that neoliberalism “seems to be everywhere”. This also indicates, in my view, that the phenomenon of neoliberalism is above national politics.

In additional definitions, Giroux (2004) described neoliberalism as one of the most pervasive and dangerous ideologies of the twenty-first century. Harvey (2005) told us that neoliberalism believes that human well-being is best advanced by liberating entrepreneurial freedoms within an institutionalized framework while elevating the centrality of private property. As far as its direct impact on people around the world, Martinez & Garcia (1997) summed it up quite neatly when they argued that the result of neoliberal social and economic policy, the rich get richer while the poor get poorer.

It was argued that neoliberalism has very strong connections to politics. Specifically, Peck & Tickell (2002) told us that it was aggressively politicized by Margaret Thatcher and Ronald Reagan in the 1980’s. It was Margaret Thatcher who coined the phrase TINA, which stands for: there is no alternative. Pedwell (2012), intentionally or unintentionally, gave credence for that phrase when he analyzed the speeches and writings of President Obama. He concluded that in his book *The Audacity of Hope*, Obama ironically actually embraced the very idea of the neoliberal citizen with his intent to promote more empathy around the world.

Some of the more pernicious aspects of neoliberalism found in this review were that it supports, encourages and actually needs poverty to survive. This pejorative aspect of neoliberalism cannot be overstated in its importance. Recall Yapa (1996) who used Foucault’s thinking on power, concluded that poverty is in essence an economic problem defined in terms of lack. The neoliberalism connection now is one of dependence; in that this self-defined situation of lack in turn can be corrected through investment, economic growth, job creation, improved education and so on; all now under the firm control of neoliberalism. Yapa (1996)

presented many simple ideas on improving nutrition of poor families like reducing the purchase of expensive processed food, establishing cooperatives to encourage bulk buying of produce, giving access to community kitchens, raising food in home gardens, and, in rural areas of the Third World, disseminating knowledge of edible leaves and plants with food value. I argued that there are limitless other ideas; all of which oppose the very essence of neoliberalism and as such are firmly discouraged. The rationale for arguing that neoliberalism actually needs poverty to survive, is based on the concept of maximization where demand is assured, by the socially constructed notion of poverty; which in turn creates the need for a solution. This is not the case with liberalism.

In terms of racism, Roberts & Mahtani (2010) told us that there is a seductive, common-sense logic to neoliberalism that reproduces racist ideologies. Pedroni (2011) used the city of Detroit telling us that neoliberalism's intent there is to re-image the city from a racially-coded narrative of a Black, crime ridden area to a gleaming, dynamic, hip, white, global hub of emergent mobility technology.

Additionally, Davis (2007) presented a very powerful analysis of an idea she called race-blindness. She argued that under neoliberal racism, the relevance of the raced subject, racial identity and racism is subsumed under the auspices of meritocracy. Consequently, any impediments to success are attributed to personal flaws, not race. This attribution affirms, albeit falsely, notions of neutrality and thereby silences claims of racializing and racism.

In supporting the initial reason for this study, the review ends with a significant effort establishing the connections between neoliberalism and education. In this section, Lipman (2010), Goldstein (2014), Ravitch (2010, 2013), Knowles (1969), Russakoff (2015), Sleeter (2008), Giroux (2004), Hursh (2004), Hill (2003), Weiner (2004), Scott & Dimartino (2009),

Rist (2002) and Urciuoli (2010) all gave compelling reasons to connect the changing and current state of education to neoliberalism.

In my view, the most significant analysis of this section that connects all the others came from Hill (2003) where he suggests that there is a force behind these neoliberal changes that have impacted education. He argued that it is the power of capital accumulation that creates the organizations, that in turn create and maintain the ideology that now permeates education. With this, Hill (2003) has introduced the underlying theme of this study of neoliberalism; the nature and power of capital. It will be detailed at length in the first section of Chapter Four. This concludes the literature review.

Ending Discussion - Segue to Chapter Three.

I believe the density and pervasiveness of the topic of neoliberalism has had researchers totally consumed with defining it, analyzing it and understanding its significant impacts on society at all levels; a formidable task in and of itself. According to Ferguson (2009), the results of the current scholarship are unsatisfactory; as they have generated common unsurprising conclusions that neoliberalism is bad for poor and working people and that we must therefore oppose it. Ferguson (2009) does not disagree with this conclusion and neither do I. However, he argues that there has to be much more to it than just stating what we are against. He argues that we need to answer the more difficult question of what are we for. I agree and therefore want to build on Ferguson's work; but take it in a different direction.

This paper argues that the reason for Ferguson's dissatisfaction and his claim that researchers seem to arrive at very similar conclusions is because the research on neoliberalism has, like this review above, been chronicled to create understanding. This needs explanation.

According to Merriam-Webster (n.d.), chronicled means an historical account of events arranged usually without analysis or interpretation. This, in my view, is an epistemological definition; as chronicled here really means the grounds used to create understanding. Stated differently, mere historical accounts of events in history have the capability of creating understanding because they are rational; one of the essential elements needed to create understanding. However, I strongly argue that in attempting a fuller understanding of a highly complex phenomenon like neoliberalism and to arrive at different conclusions, this is not enough!

From my perspective, what is missing in the current scholarship is a deep understanding of neoliberalism's true genesis. The means to obtain this genesis is the main objective of Chapter Three. I argue that from knowing the true genesis of neoliberalism, new insights will be brought to light and hence new conclusions.

For a preview of the next chapter, the question is: *how* will we be able to discover a true genesis of neoliberalism to bolster the current scholarship? The answer is: a unique methodological combination of Heuristic Inquiry and Narrative Historiography will be used to uncover it. To lessen the possible suspense and to give the reader a 'peek ahead' of where this methodological combination will lead us and what it will yield; we will learn from it that the true genesis of neoliberalism is a combination of the nature and power of capital and the powerful influence it bears on individuals and organizations. This will become our more satisfactory explanation of neoliberalism and provide grounds for new insights and conclusions.

Chapter Three: Transrationality, Neoliberalism and Methodology

Introduction

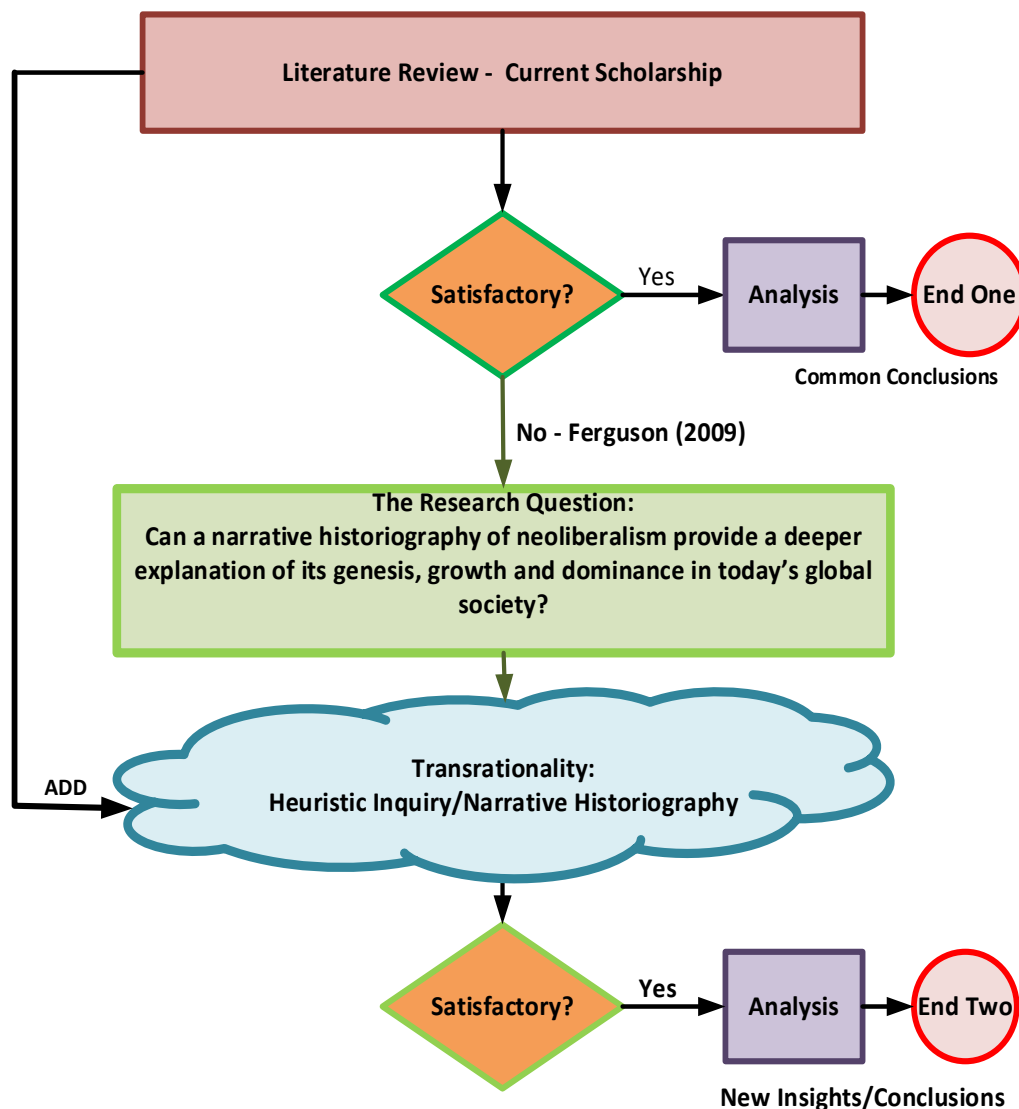
Chapter One stated that the very reason I decided to pursue this study was due to the experience I had as a volunteer in an adult education organization. I watched a sudden economic stress force major reductions in operations after over twenty years of service to the poor in Chicago. Initial research showed the same economic stress was happening to adult education organizations all over the country. For a stark example, Hull House was forced to close after serving the poor for over one hundred years. Early findings began to point to a phenomenon called neoliberalism as a causal factor.

This experience and early research had a powerful impact on me. As a man of faith, my experience turned into a life mission; an energy to do something. Section One of this chapter will show the reader exactly how I came to have such a strong faith; as I am stating unequivocally that this is the source of my passion and energy to do something.

As it turns out, there is a specific methodology that uses my personal passion and energy in a structured way to accomplish a research task; it is called Heuristic Inquiry (hereafter referred to as H-I). Connecting back to Chapter One, the next question is: now that I have a methodology that uses my faith and passion, how can I use it to bolster the current scholarship on neoliberalism? The answer to this question is: using Narrative Historiography (hereafter referred to as N-H). Explaining both methodologies and their interlocking natures is the main objective of this chapter.

Chapter Objective

Interpreting the diagram below. This diagram is specifically addressing what Ferguson (2009) and I both see as less than satisfactory results from the analysis of the current scholarship on neoliberalism. Recall the common pejorative conclusion of ‘neoliberalism is bad for poor and working people therefore we must oppose it’ Ferguson (2009) emphatically stated in Chapter One. A deeper analysis is called for.



According to the diagram, the objective of this chapter is to bolster the current scholarship by including a different form of data. This new form is a fully integrated use of rational and non-rational data found in both H-I and N-H. The use of this unique methodological combination is being referred to as ‘transrationality’ and can be seen in the blue cloud of the diagram. Its expressed purpose is to heed the warning of Otto (1923), which will be explained soon, and obtain a deeper understanding of neoliberalism. From this we should be able to arrive at new insights that may put us in a better analytical position to arrive at different conclusions. This thinking was introduced at the end of Chapter Two when I discussed the difference between chronicled and narrative history. A fuller explanation of the power of this combination of rational and non-rational data will be part of Section Two on N-H later in this chapter.

The following two sections will define and detail each methodology, including philosophical grounding. The ending discussion will reconnect the idea of the nature and power of capitol from the end of Chapter Two and show how it will be integrated in this study. I will introduce a new research method I’ve coined ‘prismatic analysis’, borrowed from the science of physics, that will provide the reader with a visualization of how the idea of the nature and power of capitol will be used in this study as a central underlying theme of the analytic chapters and idea source for new insights on neoliberalism. This idea will be discussed further at the end of the chapter.

Section One - Heuristic Inquiry

H-I Definitions. Douglass & Moustakas (1985) tell us that H-I in its purest form is a passionate and discerning personal involvement in problem solving; an effort to know the essence of some aspect of life through the internal pathways of the self. The private and imaginative nature of H-I introduces a unique challenge in research investigations and in

philosophical conceptualizations of human science. “When utilized as a framework for research, it offers a disciplined pursuit of essential meanings connected with everyday human experiences” (p. 39). To my mind, these authors highlight the ‘constructive meaning-making nature’ of H-I that bears a large dissimilarity to the opposing positivistic certainties of science in researching a phenomenon, specifically one like neoliberalism that involves human behavior. Hiles (2008) a contributing author to the SAGE Encyclopedia of Qualitative Research Methods, credits Clark Moustakas, American psychologist and one of the leading experts on humanistic and clinical psychology, as the pioneer of H-I.

Carl Moustakas (2001) Columbia University President Emeritus and Co-Founder, Center for Humanistic Studies argued that from the beginning and throughout an investigation, H-I involves self-search, self-dialogue, and self-discovery. He says “the research question and methodology flow out of inner awareness, meaning and inspiration” (p. 263). He next adds that in the heuristic search, one may challenge, confront and even doubt a human concern or issue, but when one persists, one deepens one’s knowledge of the phenomenon; in this case neoliberalism. The author also argues that one may be entranced by visions, images and dreams that connect one to one’s quest. In response to this, I can assure the reader that I have long lost count on the number of dreams and visions I’ve had concerning a solution to the current problems in urban education discussed in Chapter One. They persist to this day.

Moustakas (2001) continues defining H-I by claiming that through the guides of a heuristic design, you are able to see and understand in a different way. This is its link to transrationality; to be introduced shortly. In heuristics, an unshakeable connection exists between what is out there, in its appearance and reality, and what is within me in reflective thought, feeling and awareness. The exact methods of H-I are completely open-ended and they point to a

process of accomplishing something in a thoughtful and orderly way. “Each research process unfolds in its own way. The goal of every technique is to help the phenomenon reveal itself more completely than it does in ordinary experience” (p. 266).

Additionally, H-I also falls within postmodern research which challenges traditional qualitative research methods. With this, Merriam (2002) supports the open ended structure of H-I argued by Moustakis (2001) when she said that “a postmodern research report does not follow a specific format; each has its own rhythm and structure” (p. 10). Summarizing these authors, the heuristic researcher develops a creative synthesis, that is, an original integration of ideas that reflects the researcher’s passion, intuition, imagination, and personal knowledge.

Douglass & Moustakas (1985) further define H-I as a subjective process of reflecting, exploring, sifting, and elucidating the nature of the phenomenon under investigation. Its ultimate purpose is to cast light on a focused problem. In this case, the problem is obtaining a more satisfactory understanding and explanation of neoliberalism. The authors go on to add that pursued through intimate and authentic processes of the self, in H-I, what emerges are autobiographical, original, and accurately descriptive textures and structures of lived experience; an important aspect of H-I that will be detailed shortly.

Critical Views of H-I. There are however critical views and warnings on the use of H-I. Finlay (2009) warns us that Giorgi (1994) offers a more specific argument against the dangers of researchers’ over-emphasizing their own self-awareness and attention to the research relationship. Giorgi (1994) would argue the need to keep clear the intentional objects to which the researcher’s acts are directed. He claims that work like Moustakas’ (1990) use of ‘self-dialogue’ in his heuristic research approach is not consistent with the phenomenological project, as the goal appears to be a researcher’s own growth and self-development rather than the

explication of a phenomenon. For this reason, Finlay (2009) argues that while some phenomenologists might include ‘heuristic research’ as part of the broader field of phenomenological inquiry, others would not. “This kind of approach might be criticized for mixing up the focus of the inquiry and for collapsing therapeutic and research interests” (p. 19). Obviously these are valid critiques and warnings.

Theoretical Foundations and Challenges of H-I. Hiles (2008) gives a great deal of credit for the foundations of H-I from the ideas of Michael Polanyi, a philosopher of science. I believe it important to discuss some of his fundamental ideas and how they connect to my use of H-I as a research methodology; in some detail.

To begin understanding the philosophy that supports H-I, Polanyi (1958) said comprehension is neither an arbitrary act nor a passive experience, but a responsible act claiming universal validity. Such knowing is indeed objective in the sense of establishing contact with a hidden reality; a contact that is defined as the condition for anticipating an indeterminate range of yet unknown (and perhaps yet inconceivable) true implications. Furthermore, he argued “in truly understanding the incomprehensible vastness of the universe, any attempt to rigorously eliminate our human perspective from our understanding of the world must lead to absurdity” (p. 3). Of direct importance to this study, he also tells us that “complete objectivity, as normally attributed to the exact sciences, is a delusion, and is in fact, a false ideal; a proper substitute is personal knowledge” (p. 18).

Within Chapters Four and Five, I will show that the ‘science’ supporting neoliberalism is indeed a false ideal that is highly problematic at best. The reader will see that the foundations of neoliberalism are instead actually manufactured by the influence of personal beliefs and intentions of specific individuals and organizations like Milton Friedman, F. A. von Hayek,

Harold Luhnow of the Volker Fund, The University of Chicago, School of Economics and the Mont Pèlerin Society; to name a few.

Continuing with the theoretical foundations of H-I, Polanyi (1958) argues that “any process of inquiry unguided by intellectual passion would inevitably spread out into a desert of trivialities” (p. 135). Our vision of reality, to which our sense of scientific beauty responds, must suggest to us the kind of questions that it should be reasonable and interesting to explore. In fact, “without a scale of interest and plausibility based on a vision of reality, nothing can be discovered that is of value to science, and only our grasp of scientific beauty, responding to the evidence of our sense, can evoke this vision” (p. 135).

In my view, Polanyi’s continued suggestion of the connection between passion and reason is being used here to give added support to my including below a short autobiography of a ten-year span of my life. It will explain my intellectual passion and faith and where it comes from; in other words, what drives me so strongly in this study.

Finally, Polanyi (1958) argues that H-I seeks no personal possession. “It seeks out not to conquer, but to enrich the world; **yet such a move is also an attack**” (p. 150, emphasis added). In my view, neoliberalism is such a ‘strong in-your-face’ phenomenon, that using any tepid unemotional analysis searching for solutions to mitigate its powerful negative impact on human beings will yield little; if anything at all. In other words, I agree with Polanyi (1958) and argue that it must be attacked forthrightly with emotion and intellectual vigor.

The Lived Experience. The following is a short autobiographical segment of my life that explains the genesis of my faith and passion and why it connects to H-I.

I had a younger brother who died from kidney failure at the ripe old age of 20; I was 21 at the time. While I obviously knew that death happens to us all; his death, completely and permanently changed my life. How? My older brother whom I respected and looked up to, was totally engulfed and enamored with the fast life: making money in the streets, riding in nice cars, hanging and partying with the pretty ladies, getting high, etc., etc. My younger brother, on the other hand, was practically the opposite. While not very intellectual, he had no attraction at all for any of the fast life but was only interested in helping people, especially our relatives, with anything they needed done. He would do this with absolutely no agenda other than that was what he wanted to do. Nice and kind are two adjectives that surely fit him well. I fell somewhere in the middle; sort of a reluctant and introspective fast lifer.

I went to my parent's home one day and my mother told me that he was taken to the hospital; I knew he had not been feeling well lately. I just assumed that he would be OK and be home within a few days at most. He was gone in less than two weeks. When I arrived at their house that day and was told that he had passed away, I simply went numb. While there were many people at the house that wanted and tried to console me and the rest of my family, I knew that I needed to get out of there immediately and go for a walk alone. I wound up in a nearby park that happened to be completely empty; which amazes me to this day, as it was still light outside. I then sat on a bench in the baseball field and stared into empty space for hours on end; completely losing track of time.

The question in front of me was simple, clear and right to the point: Why him and not either me or my older brother? For sure, if GOD exists, why would He do such a monstrously cruel and unfair thing by taking the life of a truly good person and leave the selfish sinners untouched to continue in their ways? It made absolutely no sense to me whatsoever. How can

GOD possibly exist with an outcome such as this? From that day on, to about eight to nine years later, I embarked on a maddening path to discover the truth for myself: Does GOD exist?

At that time, there was a Barnes and Noble bookstore in New York on 5th Avenue in Manhattan, where I grew up and was living at the time. I became a 21-year-old recluse and spent every last dollar I had buying books on philosophy and religion. I may have nearly gone through the entire Penguin classics. I went to this store so often, that I would play games with myself when I came in by closing my eyes and going directly to the philosophy/religion section as if I were blind. After about six years of this, I realized one day that while there were many, many books that I still had not read, I somehow knew that I needed something more than what I would find there. A few salespeople who got to know me over that time span and must have noticed a look of dissatisfaction on my face. One day, one of them approached me and told me that he thought I needed to go to a special bookstore uptown from them. I proceeded there immediately.

It was a very small inconspicuous bookstore on the East side near First Avenue and, I think, 71st that specializes in somewhat rare religious books. After about a year and a half of reading many of those books, mostly written by some of the great Saints, like Augustine of Hippo, Anselm, Thomas Aquinas, Nicholas, Peter, Bernadette and yes, there was even a Saint Gregory; I one day somehow mysteriously realized that I was finished reading, and that it was time to move on and live the rest of my life. I have no clue what it was that made me feel that way.

Unfortunately, the huge problem that remained was that my original question of whether GOD exists was still unanswered. In all honesty, after years and years of reading and ‘intellectualizing’, I finally concluded that there was a 50/50 chance that GOD exists; for the logic of the arguments on both sides were equally compelling to my own small mind. The

problem with this conclusion was that I've always been a person who was very confident in his own abilities. However, this uncertainty about GOD, after all those years of trying to 'figure it out', left me walking around totally unsure of myself and, to be blunt, scared. I walked around and felt that if someone were to sneak up behind me and yell **BOO!!**..... I would have literally jumped right out of my skin!

Then one day, I was playing basketball in the neighborhood park with my usual buddies; no problem. I was in the air in the middle of a jump shot when all of a sudden, I felt and heard my left calf muscle rip apart. In addition, and even more remarkable, was that I actually saw, while in the air, several muscles cells in my left calf rip apart right before my very eyes! When I eventually got to the hospital, I was able to draw a picture of what I saw to the doctor. He almost could not believe how accurate my drawing was. I even had the bands in each long cell that, if you remember your early biology, represents volunteer muscle cells.

But, here's the real outcome of all this: As my friends gathered around me to see if I was OK, the pain had not yet subsided and I knew that I could not continue playing. As is the way it is in street ball, a replacement for me stepped in and the game continued. After about ten minutes, I was able to get up and walk, albeit with tremendous pain and a very significant limp. As I was slowly making my way back home, it hit me like a silver bullet: **YOU IDIOT! I** screamed out loud right there on St Nicholas Ave and 141st Street. In truth, I will never win an award for being the world's most emotional man, but I actually started crying, yes,.....crying... for it was tears of joy because I knew what had just transpired. Yes, you heard me right, tears of joy amidst severe pain!! **GOD HAD JUST SPOKEN TO ME.** All those years of intellectualizing about GOD came down to this: my own small mind almost sent me down a terrifyingly wrong path and GOD saw this, and decided to slap some sense into me for my own

good. To this very day, I have a permanent reminder of that event because even though I fortunately, after about a year, lost the severe limp (I still have a slight one); my left calf is now forever noticeably smaller than the right. I will never forget why. Below, you can see what I mean in the image and judge for yourself whether or not this is evidence of faith.

The Evidence



With this brief story of how and why I got ‘smacked in the face by God’, the words of Polanyi (1958) ring incredibly true: “I shall never see the world again as before. My eyes have become different; I have made myself into a person seeing and thinking differently. I have

crossed a gap, the heuristic gap, which lies between problem and discovery. The change is irrevocable” (pg. 143). I can now say with great confidence that the problems of the current state of the world and with the question of does God exist; no longer puzzle me.

My use of this lived experience is also very much in line with Hiles (2008) when he argued that in many respects, H-I bears a striking resemblance to such qualitative approaches as autoethnographic research, and also with autobiographical research, which emphasizes the life-story. This lived experience also shows the combination of H-I and N-H as a tool in research. It brings together the personal encounter of H-I discussed by Moustakis (2001) coupled with the next to be discussed narrative/story-telling of N-H.

Section Two- Narrative Historiography

Definitions. Rusen (1987) begins our definitions of N-H by asking the question: What is historical narration? He argues that this question brings philosophy and linguistics much nearer than usual to historical studies. Leaning on the work Hayden White (1973) he says that historical work is manifestly a verbal structure in the form of a narrative prose discourse. He claims that this definition shocked and disturbed most historians who did not take kindly to someone defining their work as generally poetic and linguistic in nature. They felt that it “robbed them of their hard earned dignity as scholars of a highly rationalized, methodologically confirmed discipline” (p. 87).

Bypassing what many historians see as denigrating, Rusen (1987) plows ahead arguing that the word poetical should be understood in the original Latin sense of poiesis, which simply means making or producing something. “Indeed no historian could deny the fact there is a creative activity of the human mind working in the process of historical thinking and recognition.

Narration is the way this activity is being performed and history, more precisely a history – is the product of it” (p. 87).

In a more detailed interpretation of White’s (1973) work, Rusen (1987) says:

narration is a process of poiesis, of making or producing a fabric of temporal experience woven according to the need to orient ourselves in the course of time. The product of this process of narration, the fabric capable of so orienting, is a history. With respect to the threat of death, narration transcends the limits of mortality into a broader horizon of meaningful temporal occurrences. (p. 88)

I cannot emphasize enough to the reader how powerful and beautiful this explanation of narration is; and its value to this study of neoliberalism. We will see this vividly in Chapter Six when I use the Van Horn & Mirowski (2009) central thesis on the rise of neoliberalism. We will see that is a narrative, based on archived documents, that is used to tell a story where the reader may find a simple understanding of *how* a highly complex phenomenon like neoliberalism came into being. This is the power of narrative.

Continuing with a better understanding of the nature and power of narrative, Dray (1971) tells us that the question of narrative as a type of knowledge has received a good deal of attention from philosophers of late. His thinking is worth quoting at length as he does a superb job, in my view, of synthesizing the various dimensions of narration that pertain to this study:

History simply is narrative, or that is it essentially narrative, or that a history must contain some narrative elements, or that one form of

history, at any rate, and perhaps the most important one, narrates. It had been held, too, that it is through narrative that historians achieve whatever is specifically historical about historical understanding; or that historical explanations get their distinctive structure by reason of their occurring in the course of historical narratives. It has been held that narratives can themselves be explanatory in a special way; or that narrative is per se a form of explanation, if not indeed self-explanatory. (p. 153)

Supporting this thinking of Dray (1971) and adding further analysis on the nature of narrative, Mandelbaum (1967) argues that history is interpreted as a linear sequence of intelligible human actions and that that constitutes a proper reconstruction of the past. He then discusses what in my view is an absolutely vital aspect of narrative if it is to be used in this study of neoliberalism: its logical nature and how it actually creates understanding. He asks what relationships must exist if a temporally related series of events is to be taken as constituting the elements which, together, form a single history? His response is once more, something worth quoting at length:

The theories which regard historiography as narrative would have us regard the events which form a unitary strand of history as a linear, sequential series: a leads to b, b to c, c to d and so on. The historian then has the task of finding the proper continuous series by means of which he can trace how elements a, at the beginning of the story, was connected through a series of steps to element t, which constitutes the terminus, or point, of the story being told. (p, 416, emphasis in original)

While this quote is logical and straightforward, it is not without issues. I will address these issues when I discuss the critical aspects of N-H soon. For now, I continue with defining N-H and its various dimensions.

Hernadi (1976) presents an aspect of N-H that, as a playwright myself, I would be remiss not including. My intent, in all honesty, is to create *drama as well as fact* in narrating the rise of neoliberalism. For creating understanding, adding drama as well as fact for the reader makes for a more effective learning combination than fact alone, in my opinion. This also supports my use of the Van Horn & Mirowski (2009) central thesis on the rise of neoliberalism as it uses archived documents to create their story. I create (actually increase) the drama of their narrative by including the very interesting and relevant history of the life of William Volker to enhance their story.

With this said, Hernadi (1976) tells us that “It has often been noted how eagerly playwrights go to historical events for their plots. One reason for this is suggested in the ninth chapter of Aristotle’s *Poetics*: dramatic works need an air of plausibility, and what better indication that a series of events is possible than the fact that it has actually occurred?” (p. 45).

Continuing with our definitions of N-H, Ankersmit, (2009) tells us that the term narrative is derived from the Latin word ‘*narrare*’ which means to tell, relate, recount; as applied to historiography about some aspect of the past. He argues that historiography is not written to prove but to tell. Of critical importance, he also argues that “narrative analysis of historiography can find the cognitive message of historiography in the text as a whole rather than in its constituent parts” (p. 199, emphasis added). I interpret this by borrowing a principle from quantum physics saying that in narration, meaning or understanding is an emergent idea of the

combined individual parts of the story. In other words, the cognitive message is greater than the sum of its parts.

This will become quite clear in Chapter Six as I expound on the Van Horn & Mirowski (2009) central thesis on the rise of neoliberalism; a potent story. In this narrative, the emergent idea I hope the reader discovers is that the rise of neoliberalism and its impact on society is, for the most part, a direct manifestation of the nature and power of capitol. As researcher, I will assist in the discovery by detailing my understanding of the nature and power of capitol and where it comes from. I will present thoughts from Habermas (1968) who, interpreting Karl Marx, argues that *gigantic social forces* are created by this nature and power. This explanation and discussion will be found in the beginning of Chapter Four as an introduction to the analytic chapters. I will have a bit more to say on this in the ending discussion to make this key idea clearer.

Continuing with defining N-H, White (2010) tell us that the term narrative history is used to distinguish histories that tell stories from those that do not. He is referring to stories that have a beginning, middle and an end. Stories, according to him, often have dramatic and explanatory effects; both objectives of mine in telling the story of the rise of neoliberalism.

By taking the literal meaning of the term narrative “we highlight the relationship between the narrator’s voice and its purpose in directing our attention to evidence organized in a particular way” (p. 120). The reader will see that this is precisely the intent in Chapter Six. My goal in that chapter, which is this study’s main chapter, is to make a case for a clear connection between the rise of neoliberalism and the power of capitol; through narrative. This is the value of transrationality. The reader will see that is a story whose expressed intent is to show how the

power of capital influences people and institutions while producing and maintaining a specific ideology in the process.

White (2010) argues that storytelling or narration in historiography has for quite a while been deprived of its traditional function of explaining historical events and consigned to the more modest roles of explication and illustration. “It is because of the subordinate function of narrativity in contemporary historiography that the recent call for a ‘return to narrative’ in historical writing invites attention from theorists of the social and human sciences” (p. 273).

White (2010) quotes Fernand Braudel, leader of the *Annales* group of structuralist historians who discusses narrative historiography. “In fact in its own way covert way, narrative history consists of an interpretation; an authentic philosophy of history. To the narrative historians, the life of men is dominated by dramatic accidents, by the actions of those exceptional beings who occasionally emerge, and who often are masters of their own fate and even more of ours” (p. 275). We will see that such a man in this study is William Volker; whose very life powered the chain of events that led to the rise of neoliberalism.

Next, presenting an important and highly relevant dimension of N-H, we have Carr (1986) who discusses the structure of narrative, the narrator and the audience. He argues that in a good story, all extraneous noise or static is, by its nature, cut out. The audience is told just what is necessary to ‘further the plot’. A selection is made of all the events and actions that characters may engage in, and only a small minority finds its way into the story. In life, by contrast, everything is left in; all the static is there. “This selection is possible because the story-teller knows the plot in a way that the audience most likely does not. This knowledge provides the principle for excluding the extraneous” (p. 58).

Carr (1986) suggests that this point is related to the distinction, long standard in the philosophy of history, between narrative and chronicle. Chronicle simply describes what happens in the order in which it happens. Narrative, by contrast, in virtue of its retrospective view, picks out the most important events, traces the causal and motivational connections among them and gives an organized coherent account. This cannot be overstated.

Referring back to Chapter One, this may help at least partially to explain Ferguson's (2009) frustration about the scholarship on neoliberalism and why the common conclusions. It also explains the limitations of the literature review in this study. For the most part, causal and especially motivational connections between events and people are missing in both cases, i.e., they are chronicled; as Carr (1986) points out. This, in my view, places the analysis of events wholly within a positivistic framework where rationality alone automatically generates common predictions; the way it does in scientific and quantitative experiments. In other words, I am suggesting that an underlying connecting theme that adds an emergent perspective, is missing in the current chronicled scholarship leaving readers to apply rationality alone in arriving at conclusions. This is obviously a key aspect of this study and will be addressed further in the ending discussion that concludes this chapter on methodologies and segues us to the analytic chapters. For now, some final thoughts on N-H.

Critical and analytic views of N-H. Bruner (1991) begins with an interesting critical definition of narrative. He argues that it is a conventional form that is transmitted culturally but is unlike constructions generated by logical and scientific procedures that can be weeded out by falsification, connecting back to Carr (1986). From this he suggests that narrative constructions can at best only achieve verisimilitude, or a quality of seeming real. In what in my view is a problematic definition, Bruner (1991) claims that "narratives are a version of reality whose

acceptability is governed by convention and narrative necessity rather than by empirical verification and logical requiredness, although ironically we have no compunction about calling stories true or false” (p. 5). I reject this positivistic view as this amounts to, in my opinion, a nihilism of history in general as not having any ‘real meaning’ because it is not science.

Another critical view and my final thoughts on N-H comes from Mink (1970) who claims that philosophers have always held a certain scorn for both history and romance. “In recent years, however, there has come into being a new and still developing interest among philosophers in what is call (rather misleadingly) the logic of narration” (p.541). Mink (1970) now presents a brilliant, albeit a bit lengthy, explanation of the real power of narrative history that nicely grounds and describes the essential underlying theme of this study on neoliberalism. It will also lead to the ending discussion:

The methodological preoccupations of psychology, sociology and other social sciences in recent years have in effect resulted from the adoption of positivist prescriptions as imperatives for the organization of research. In history, however, these prescriptions have seemed least applicable and also least able to account for the fact that some historical accounts seem to explain and illuminate although they cannot by any Procrustean efforts be restated in such a way as to exhibit the required form. Yet the case for positivism is strong. Do you claim to have explained why this event occurred? it asks. Well, then, you are claiming more than that it happened; you are claiming that given whatever you refer to as bringing it about or causing it to occur, it must have happened as it did, in fact, that it could not have not happened. (p. 543)

This is both potent and beautiful but needs to be simplified and clarified. In my mind, Mink (1970) is arguing that narrative logic is of a different kind of logic as it is itself not science-based but equally valid as a means for creating understanding. I would add that he, in my view,

is arguing that it is actually more powerful than science in creating understanding because it has the potential to invoke firm causality in the minds of the reader; from the reader's own entire range of mental faculties. In other words, narrative or story-telling has the ability of building logic and understanding in the minds of the reader as he/she reads; ending with an emergent understanding that is superior to that gained by empiricism. I argue that empiricism does not intermix one's emotions, experiences, culture, hopes, dreams, ego, faith, etc. into its understanding mechanism as narrative can.

For analytic views of N-H, I turn to the thoughts of Howard (1991) from his article: *A Narrative Approach to Thinking, Cross-Cultural Psychology and Psychotherapy* and Otto (1923) from his book: *The Idea of the Holy*. They both discuss, from entirely different perspectives, the central concept of the non-rational that the reader will see increases our understanding the formidable logic and power of narrative while providing grounds for the use of N-H as an investigatory methodology in this study of neoliberalism.

Dr. Howard, a faculty member in the psychology department at the University of Notre Dame, suggests that several traditional research methods are inadequate to many of the tasks to which they are put. This is exactly my argument with the positivist epistemology and the chronicled nature of the data in the current scholarship on neoliberalism. I also argue that it grounds Ferguson's (2009) dissatisfaction.

Directly connecting to Mink (1970) and the use of N-H, for Howard (1991), the non-rational is narrative or story-telling and is a *way of thinking*. For our purposes, Howard (1991) asks the very important and salient question: does story-telling degrade our thinking? This is another way of directly asking: does N-H degrade the intellectual rigor of this study? In answering this, he argues that one of the oldest views of mental processes is that humans are

rational and logical beings. But are humans always rational and logical? He responds that sometimes they are, sometimes they are not. Few should disagree with this. Furthermore, according to him, psychological research continually turns up ways in which humans are imperfectly logical or at best, logical thinkers with limited capacities. With specific relevance to this study, he argues “there are many instances in which one is instructed to entertain story lines other than those that are logical and rational” (p.189).

Clearly stating his position on the differences between the natural and social sciences, Howard (1991) argues that scientific and humanistic thought do indeed represent separate and non-comparable modes of knowing. He adds that that is because they have evolved to fit different intellectual, ecological niches. “And, just as one would never say, for example, that a squirrel was a better animal than a chipmunk, one should not make the bold assertion that scientific insights are superior to the wisdom of the humanities” (p. 189). I take the less agreed upon view and argue that science is actually inferior to the humanities for reasons explained above. From this, the idea of the non-rational, as used in this study, is now to be understood as thinking through narrative and story-telling; as opposed to thinking and understanding through the positivistic dictates of the natural sciences; i.e., using rationality alone.

Continuing with analytic views of N-H, much of the sublime and transcendent thoughts of Otto (1923) go far beyond the scope of this study. However, I include some very relevant ideas of his that lend support to using N-H as a methodology. In a deeper discussion on rationality, Otto (1923) tells us that it is essential to every theistic concept of God that it designates and precisely characterizes deity by the attributes spirit, reason, purpose, good will, supreme power, unity and selfhood. The nature of God is thus thought of by analogy with our human reason and personality. He tells us that “in ourselves, we are aware of this but as qualified

by restriction and limitation, and as such, these ideas appear to us as ‘completed’, i.e., thought of as absolute and unqualified” (p. 15). Of great importance, he goes on to add that all these attributes constitute clear and definite concepts: as they can be grasped by the intellect, analyzed by thought and even admit of definitions. An object thus thought conceptually, can be termed rational.

First, in my view, this represents a solid explanation for why a positivist epistemology has the strong appearance of certainty that appeals to us. In the case of the current scholarship on neoliberalism, it explains the appeal and complete belief of the common conclusions by most. In other words, our own mental limitations make things appear complete by allowing for analysis and definitions. This is the foundation for rational thinking and what, according to him, gives Christianity and other religions as well, their source of strength beyond just ‘feeling’; i.e., God, Allah, Moses, Buddha, etc. are all rational thoughts.

This is quite meaningful as it explains the power of positivism, but it is not the truly critical and relevant idea. Recall that Howard (1991) suggests that some epistemological approaches are inadequate for the tasks for which they are put. I said that I agreed. Following this line of inquiry, Otto (1923) argues that we need to be on guard against the error that we have *exhausted* our interpretation and understanding of things. He admits that such an error is not unnatural because all language, in so far as it consists in words, purports to convey ideas and concepts, and that the more clearly and unequivocally it does that, the better the language.

Finally, Otto (1923) argues that instead of these rational thoughts exhausting the idea of a deity, they in fact imply a non-rational Subject of which they are predicates. They are essential, not merely accidental attributes of that subject, but they are also, it is important to note, synthetic

essential attributes. That is to say, we have to predicate them of a subject which they qualify, but which in its deeper essence is not, nor indeed can be, comprehended in them.

Simplifying these thoughts at least somewhat, Otto (1923) as I interpret this, is saying that rational thoughts have the comprehensive power to include definitions within its range of explanatory capabilities. However, this gives us a false sense of certainty that we have *exhausted* our ability to understand things. In other words, to obtain a fuller understanding of the phenomenon of neoliberalism in this study, a comprehension of a different kind is required. We will see soon that a different kind of comprehension ‘needs to be added’ is a more accurate way to state this. This added comprehension, I argue, is the non-rational way of thinking discussed above by Howard (1991).

My final thoughts on the philosophical grounding of N-H and to prepare us for the ending discussion, is that the reader, in my view, needs to understand that rational and non-rational thinking are not opposites; they are just different *ways* of thinking. This is critical. The opposite of rational is irrational not non-rational. Each way of thinking by itself may be inadequate for a deeper investigation into specific phenomenon; in this case neoliberalism. In short, both the rational and non-rational are needed together.

This combination is something I term ‘transrationalism’ and is defined as the seamless integration of rational and non-rational thinking in an effort to obtain a deeper understanding of a phenomenon. Connecting back to the diagram at the beginning of this chapter, it is found in the blue cloud that leads to obtaining different conclusions from the current scholarship on neoliberalism. In other words, transrationalism represents the investigatory capability needed to obtain a deeper understanding of the Rise of Neoliberalism, in this researcher’s opinion.

Ending Discussion

Recall from Chapter One that the very reason for this study was for me to obtain a full understanding of the phenomenon of neoliberalism. I also mentioned that it has become a passionate life mission for me; as the deteriorating state of urban education in general makes me very angry. In the literature review of Chapter Two in the section that discussed the connections between neoliberalism and education, I argued that Hill (2003) and Harvey (2005) combined to presented an economic view that I suggested was an underlying theme as a causal factor that summarizes all the other authors.

Hill (2003) argued that the restructuring of the schooling and education systems across the world is part of the ideological and policy offensive by neoliberalism. Harvey (2005) argues that while the intellectual roots of neoliberalism reach back to the 1930's, its material origin stems from a crisis in capital accumulation of the late 1960's and 70's. Recall that Harvey (2005) claims that this crisis constituted a political and economic threat to the elite class across all capitalist countries. In a powerful and very provocative assertion, he states "the upper classes had to move decisively if they were to protect themselves from political and economic annihilation" (p. 14).

Together Harvey (2005) and Hill (2003) along with many other researchers, ground my conclusion that the connections between neoliberalism and education, the very reason for this study, must be seen through the perspective of the power of capitol. This is the reason for the chapter title. With this, the question became: what methods will I use to connect these ideas with the understanding that my long range objective is to provide a new vision for urban education? The intent of this chapter, therefore, was show how H-I and N-H are used as methodologies that

can help explain the rise of neoliberalism; with the power of capital as an underlying causal theme.

This chapter formally introduced and explained both H-I and N-H in detail with an emphasis on the philosophical grounding of each. As a quick summary, H-I is used as a structured qualitative method that takes my own faith, passion and personal journey, factors that are immensely important to me, to aid in my research efforts. Recall Polanyi (1958) who argues that H-I seeks no personal possession. It seeks out not to conquer, but to enrich the world; yet such a move is also an attack. This connects to Chapter One where I used the work of Kuzmic (2014) with his idea of ‘outlaw emotions’ to show that my anger at the state of urban education is an added bonus in my research efforts.

With my ‘psychic energy’ now methodologically established by H-I, the next question became: what method will I use to gain a deeper understanding of neoliberalism; with the power of capital as an underlying theme? Very briefly, this chapter argues that N-H is an adequate epistemological method to answer this question. Why? Two main reasons: Recall Howard (1991) who argues that several methodologies are inadequate for the tasks that they are intended. Also Ferguson (2009) from Chapter One who emphatically asked himself why he should bother to read study after study on neoliberalism; all coming to the same pejorative conclusion that ‘it is bad for poor and working people therefore we should oppose it’.

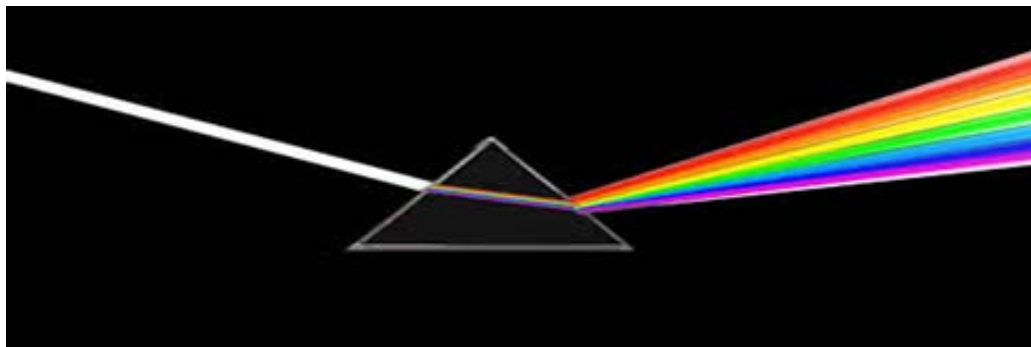
This chapter argues that most of the current scholarship on neoliberalism is fundamentally logical in nature and structured chronically; lacking in causal and motivational connections between people and events. This, in my view, is the source of its inadequacy. As a response, the power of N-H lies in the capability of creating a deeper understanding of a phenomenon by combining the rational with the non-rational.

Segue to the Analytic Chapters

For my final comments on this chapter, I would like to present the reader with a visualization to aid in understanding the heart of the intellectual approach I am taking in this study. The question now is: how will the underlying theme of the nature and power of capital be integrated into the analytic chapters? That integrative process is what is now being illustrated.

Early in the chapter I introduced the idea of a ‘prismatic analysis’ that I said will be used in this study. It is another concept borrowed from the science of physics. The idea of a prism in general is to take a central beam like light and ‘refract’, or separate out, its constituent parts. This is how a rainbow comes from a beam of white light directed into a prism. In this study, the idea is to use the nature and power of capital, direct it into a prism and refract out its constituent parts. The prism itself can be understood as transrationality, or the combined explanatory power of H-I and N-H that seamlessly integrates the rational with the non-rational.

As the below diagram will show, the output, in this case the analytic chapters, will all be undergirded by this central theme as having their origin in it. My hope is that this rudimentary visualization of this idea of ‘refracting’ may aid the reader in understanding my overall intent of bolstering the current scholarship on neoliberalism by seeing and understanding it through the lens of the power of capital:



Interpreting the diagram: Here, reading from left to right, the nature and power of capital is seen as the single white light in the left side of the diagram which is directed into the prism for refraction. The colored separate individual outputs on the right side of the diagram represent the analytic chapters. In other words, the reader should interpret this as Chapters Four through Seven having the nature and power of capital as an underlying theme and force that actually makes things happen. Another way of interpreting this is that the diagram represents a visualization of the causal and motivational elements that connects events, individuals and institutions found in the analytic chapters to the central theme of the power of capital. Simply stated, the colored outputs represent the various narratives that explain how capital has greatly influenced the rise of neoliberalism. We are now in a position to begin the analytic chapters.

Chapter Four: The Intellectual Foundations of Neoliberalism

Introduction

Chapter purpose. This chapter critically discusses what, in my view, are the two intellectual concepts that actually make neoliberalism work. I've coined them the two pillars of neoliberalism. The first is known as *homoeconomicus*; defined by Yamagishi, Takagishi, Matsumoto, & Kiyonari (2014) as a model for the human agent in neoclassical economics; a rational maximizer of self-interest. The reader should be aware of the importance of the word *model* in this definition because it means that is amenable to mathematics and prediction; which are the tools and objectives of economists. For a more thorough understanding of the term *homoeconomicus*; it is also captured by the term 'economic man' which is defined nicely by Investopedia (n.d.) as a term:

First coined in the late 19th century, the term 'Economic Man' has developed to refer to a hypothetical individual who acts rationally and with complete knowledge, but entirely out of self-interest and the quest to maximize personal utility. Economic Man is an imaginary figure who is able to satisfy economic models that push for consumer equilibrium. All of Economic Man's choices are based on the fulfillment of his or her "utility function", meaning the ability to maximize any situation that involves choice. (p. 1, quotations in original text)

These two terms, *homoeconomicus* and economic man, will be deemed equivalent and used interchangeably in this chapter and study.

The second intellectual foundation that will be critically analyzed is known as the division of labor; defined by Merriam-Webster (n.d.) as the breakdown of labor into its components and their distribution among different persons, groups, or machines to increase productive efficiency. Of critical importance to this study of neoliberalism, it is a theory of wealth creation. We will see that Adam Smith (1952) in his famous book: *An Inquiry into the Nature and Causes of the Wealth of Nations* is given credit as the originator of this idea.

To the reader, they may sound like disparate concepts requiring separate chapters, but I will present views by Jürgen Habermas (1968) from his book: *Knowledge and Human Interests* and Karl Marx (1973) from his book: *Grundrisse: An Introduction to the Critique of Political Economy* that shows that they both emanate from the common philosophical concept of capital. Building on their thoughts, this chapter begins with my understanding of the nature and power of capital. After reflection, I've taken liberty to build on and extend the transcendent thoughts of these two brilliant men to argue that capital may be a prime causal factor in the actual creation of social structure and associated social knowledge; now being cemented by neoliberalism.

This chapter will start with Habermas (1968) and Marx (1973) to begin the discussion on my understanding of the nature and power of capital. In addition, this analysis will provide the reader my rationale for including the nature and power of capital as the central idea stream in the prismatic analysis introduced at the end of Chapter Three. This is then followed by two main sections; one for *homoeconomicus* and one for the division of labor. Last, an ending summary and discussion that segues us to Chapter Five.

Preview of Sections One and Two and the final discussion. The first section begins with *homoeconomicus*, also captured by economic man, by defining both classical and neoclassical economics and their historical contexts that will be necessary for understanding the rest of the

section. Next, Persky (1995) discusses what he terms the ethology of homoeconomicus within historical contexts up to the modern view. Hinnant (1998) then discusses the widely accepted origination of this concept from the thoughts of John Stuart Mill's political economy. Continuing along the line of historical contexts, Bowles & Gintis (1993) discuss the German Historical School and present it as an explanation of how we arrived at the modern understanding of homoeconomicus; with a special emphasis on a concept known as contested exchange. Next, Myers & Papageorgiou (1991) give us a clear understanding of how the human mind actually makes so-called rational choices; as we will see, a central aspect of homoeconomicus.

Stinging critical views on homoeconomicus from both Amartya Sen (1977) and Karl Marx (1971) is next that dissects and questions the foundations of rational choice theory. Finally, an additional critical view of homoeconomicus by Tsakalotos (2005) who uses six theses to analyze Mill's Political Economy via its lack of human values. He strongly suggests that its theorizing is entirely unsupportable. I conclude this section with a summary of all these thoughts that segues us to Section Two.

The second section will be based on Adam Smith's (1952) classic work: *An inquiry into the Nature and Causes of the Wealth of Nations*; which, as an idea, is what I refer to as the engine or *raison d'être* of neoliberalism i.e., the creation of wealth; specifically, capital. This section will also include common high level symbolic examples of the division of labor, like that of a modern fast food restaurant that will show, in an intuitive and common sense way, what this idea really means in the everyday life of modern times. Of critical importance, this section will also discuss how this idea is directly related as a strong causal factor to the social stratification that permeates all aspects of our society. I will argue how these ideas are far more fundamental to our very way of living than most may be aware of. This chapter now begins with my analysis

on the nature and power of capital, a central undercurrent theme throughout this study; followed by Sections One and Two.

The Nature and Power of Capital

Introduction. Habermas (1968) in his book: *Knowledge and Human Interests* starts to construct our common philosophical foundation for both homoeconomicus and the division of labor with a quote from Karl Marx who describes the fundamental nature of labor as a “condition of human existence that is independent of all forms of society, a perpetual necessity of nature in order to mediate the material exchange between men and nature, in other words, human life” (p. 27).

First, obviously Marx defines labor as core to man’s existence. The reader should be able to begin see how these brilliant rational definitions of labor by Marx can serve to explain and ground many ideas in life. In my opinion, they make great theory. While a full analysis of the thinking of Marx on labor is far beyond the scope of this study, the following specific thoughts of his will begin to lay the common philosophical foundation between homoeconomicus and the division of labor mentioned above. They will also lead to my understanding of the nature and power of capital.

Relying on the transrational approach used in this study, Habermas (1968) next shows us how Marx’s ideas on labor relate to this study of neoliberalism. The following transcendent non-rational thinking of Marx is important and central enough to this study to quote at length:

In its combination this labor of scientized production appears just
as much in the service of an alien will and an alien intelligence,
which directs it. It has its psychic unity outside itself and its

material unity subordinated to the unity of machinery, of fixed capital, which is grounded in the object. Fixed capital, as an animated monster, objectifies scientific thought and is in fact the encompassing aspect. It does not relate to the individual worker as an instrument. Instead he exists as an animated individual detail, a living isolated accessory to the machinery. (p. 52, italicized words in original text)

Without question, these uniquely transcendent and dramatic thoughts from Karl Marx above say a lot and therefore need to be unpacked prior to further discussion. First, this quote is a narrative and clearly non-rational; falling within N-H. It uses the thoughts of Howard (1991) and Otto (1923) who argued that the non-rational, or narrative, is such that we are still able to grasp meaning from it. Recall that the rational and the non-rational both come under the umbrella of reason. The reader may begin to sense the value of this study's transrational approach which seeks to increase our understanding of neoliberalism.

On the nature and power of capital: a transrational analysis. Let's first take a look how Habermas (1968) interprets the above quotes of Marx. I will then include quotes from Marx (1973) himself and add my own interpretation of how these transcendent and non-rational thoughts of Marx connect to this study of neoliberalism; and hopefully make clear why they are central to the prismatic analysis described at the end of Chapter Three.

According to Habermas (1968) Marx takes a bold stab at the nature of capital. The reader will see that Marx's concept of capital is indeed a bit quixotic and confusing; even to the brightest of economists; according to Marx himself. As an example, Marx (1973) responds to Italian economist Pellegrino Rossi who asks the questions: What is capital? Is raw material

capital? Marx responds to Rossi as follows: “The way of conceiving capital in its physical attribute only, as instrument of production, while entirely ignoring the economic form which makes it the instrument of production into capital, entangles the economists in all manner of difficulties” (p. 591).

Marx and Rossi then debate this question of capital in relation to several different perspectives including land, wages and labor. It seems, in my view, that their discussion appears circular in nature; reaching no firm conclusion satisfactory to the other; while raising far more questions than answers. To my mind, even someone as obviously brilliant as Marx has a difficult time explaining the true nature of capital; resorting to dramatic transcendent narratives and literary descriptions that the reader will soon see. I see this as a clear expression of the non-rational nature of capital in the eyes of Marx himself. For if Marx’s understanding of capital were of a purely rational nature, it would obviously not be so difficult a concept to explain; especially to a fellow economist, as we’ve just seen. This said, since this study employs transrationalism as a means to search for deeper understanding, I will push forward in an effort to make Habermas’ and Marx’s thoughts on capital more meaningful to the reader and relevant to this study of neoliberalism.

In a drive for clarification and connection, I start with Habermas’ (1968) interpretive thoughts of Marx’s ideas on the nature of capital. To start, the following quote sheds light on what I believe explains the deepest nature of neoliberalism’s impact on society; the grand and bold attempt at a possible permanent solidifying of class structure; a global caste system if you will. He argues that Marx believes that capital: “**Calls to life** all the powers of science and of nature as of social combination and social intercourse to make the creation of wealth relatively independent of the labor time expended on it” (p. 52, emphasis added).

He continues this invigorating interpretation of Marx's thoughts on capital by next adding that, and this is critical, "gigantic social forces are generated in this way" (p. 52, emphasis added). After reflecting on his interpretation many times over, it has unlocked a deep mystery I've been trying to solve for many years and one that directly connects to this study of neoliberalism. It represents the core of my argument in this study on the unfathomable power of capital and hence what makes neoliberalism so incredibly dominant in society. As the reader is about to see, it seeks to explain the very nature of social structure and even how we know things in general. This obviously needs considerable explanation and unpacking.

I begin this discussion on the nature and power of capital claiming straightforward that the *raison d'être* of neoliberalism is to satisfy the desire to generate an unlimited accumulation of capital by a few. This is the starting point. Now, Marx (1973) begins this unlocking of the nature of capital; in and of itself:

Before accumulation by capital, there is presupposed an accumulation which constitutes capital, which is part of its conceptual determination; we can hardly call it concentration yet, because this takes place in distinction to many capitals; but if one still speaks of capital generally, then concentration still coincides with accumulation or with the concept of capital; i.e. it does not yet form a particular aspect. However, capital does indeed exist from the outset as one, or unity; as opposed to the workers as many. (p. 590, italics in original text)

How do I interpret this?

First, Marx (1973) uses his pure genius to argue that capital exists in itself as a ‘unitary or singular’ phenomenon prior to any kind of distribution/accumulation. So, when we speak of an individual accumulating capital, it should be viewed not as something that he/she ‘adds to the stock of capital’ but only as his/her ability to access this singular unitary phenomenon already in existence in full. In a possible support of this interpretation of mine, Marx (1973) next says this about the nature of capital:

And thus it appears as the concentration of workers as distinct from that of work, as a unity falling outside them. In this respect, concentration is contained in the concept of capital- the concentration of many living labor capacities for one purpose; a concentration which does not in any way need to have been established in production, or penetrated production at the origin. Centralizing effect of capital on labor capacities, or positing of itself as the independent and external unity of these many available existences. (p. 590, italics added)

From this, Marx has clearly established, at least in my view, capital as a separately existing phenomenon; wholly outside yet potentially connected to the individual; something I’ve believed for many years, but have been unable to explain. My next step is to build on this Marxian view of capital and attempt to explain it as a formative power for social structure; and social knowledge itself. From this, its connection to neoliberalism, and its intellectual foundations of economic man and the division of labor, will become evident.

I argued a moment ago that this Marxian view of capital represents a ‘key’ that unlocks a deep mystery I’ve had for many years. What deep mystery? Habermas (1968) argues that Marx always takes account of social practice that encompasses both work and interaction. From this, he argues that these relations, backed by the force of institutions, are subject to the norms that decide how responsibilities and rewards are distributed among societies’ members. He claims that “The medium in which these relations of subjects and groups are normatively regulated, is known as cultural tradition. **It forms the linguistic communication structure on the basis of which subjects interpret both nature and themselves in their environment**” (p. 53, emphasis added). This is the key to unlocking the deep mystery that is the nature and power of capital and its incredibly dominant impact on our society.

According to Habermas (1968) Marx believes that capital actually creates, via language, our knowledge of the social world. Recall that he said ‘gigantic social forces are generated in this way’. In my opinion, Habermas (1968) using Marxian thinking on the nature of capital, presents a theory for the foundation of the ‘value-laden dual-hierarchical language structure’ that actually creates our knowledge of the social world.

To explain this relatively complex idea, a few simple examples should suffice. Let us examine the common dual terms of man-woman and white-black. First, I begin by assuming the reader may agree that the ‘opposing duality’ of words is necessary for cognition. We know what a man is because we know what a woman is; we know what day is because we know what night is, we know what black is because we know what white is; etc. This is, in my view, conceptually neutral and allows for cognition. But, here is where the problems begin. We all know that in most all modern societies, and especially strong in industrial societies, there exists a clear social value relation associated and imbedded within each cognitive dual set. Man has a higher social

value than woman and white has a higher social value than black. Truth of these relational values aside, I think the reader will not disagree when I say that it is not a stretch to call this common knowledge.

But here lies the deep mystery that was before me for many years: Let's take a look at the cognitive value-laden duality of 'man having a higher social value than woman' for starters. How do we know this? Who actually stated this? Is there proof of this? Where did this value come from? How are we taught this? And even more important, given so much credible disagreement and disdain with this specific social value relation, is it possible to change it? The reader can apply this same line of thinking and questions to many other dualities; like white-black where white has a higher social value than black; etc.

Leaning and building on the thoughts of Habermas (1968) and Marx (1973) I argue that the mystery of these questions may be solved. Its answer lies in the manifestation of the true nature and power of capital. The ideas presented here by Marx (1973) and Habermas (1968), make this clear, at least in my view. How so? Recall Habermas' understanding of Marx's view of capital when he says 'capital calls to life all the powers of science and of nature as of social combination and social intercourse'. The operative words here are '**capital calls to life**'.

Returning to our value-laden dual-hierarchical language structure, it is crystal clear, at least to my mind, that the language structure itself which values men over women and whites over blacks unquestionably benefits white men with capital exclusively; as if they somehow have the power to 'command all people, in all times, to understand that this is the way of life'. I equate this to Habermas' (1968) 'capital calls to life'. I further emphatically argue that no one can confidently point to a person, place or time where such a 'commandment for society in general' originated. As an important note, the reader should understand that within this analysis, *race is*

*actually not the central factor; **capital is***. Blacks with capital would create the exact same social structure and problems where whites would be viewed as socially inferior.

Yet, with all this, something important is still missing from this Habermas/Marxian view of capital. In my opinion, what is missing is its direct connection to the will of the individual.

Miriam Webster (n.d.) defines ‘will’ from different perspectives:

1- Used to express determination, insistence, persistence, or willfulness as in ‘I have made up my mind’

2- Used to express a command, exhortation, or injunction as in ‘you will do as I say, at once’

What does this connection to the human will mean and on what grounds do I say this?

I start with the thoughts of Arthur Schopenhauer (1909) in his work: *The World as Will and Ideas*; originally, and more aptly in my view, titled: *The World as Will and Representation*. One of the central and fascinating ideas in that great work was his philosophically connecting the will of the individual to human existence in general. In short, a transcendent and brilliant insight into how our wills actually create our existence.

For a more simplistic and intuitive idea that represents these thoughts on the nature and power of capital, that I now suggest are connected to the human will, I ask the reader to think of their own lives. Consider what happens when you have access to capital and see how your own will ‘calls things to life’. You can now ‘will’ a new house, ‘will’ a new car, ‘will’ a college education for your kids, ‘will’ your spouse a gift, ‘will’ a vacation, etc. It is clear that these things exist in your mind and as a result of your access to capital, you can ‘call them to life’ or into existence.

This is the connection between capital, the human will and existence, in my view. Hence my main argument in this study of neoliberalism is:

Building on and extending the collective thoughts of Habermas, Marx and Schopenhauer, I argue that it is the will of (mostly but not exclusively) white men with high access to the unitary external phenomenon of capital that uses the cognitive abilities of the structure of language to create gigantic social forces that ‘call their will to life’ so that they are able to influence and dominate society to their exclusive benefit.

Actually *how* this is done is a fascinating topic that goes far past the scope of this study. It will be addressed in the proposed follow-up study when I discuss Eric Beinhocker’s (2006) brilliant idea of what he refers to as the evolutionary algorithm.

In summing up my analysis on the nature and power of capital, the reader should understand that first, I am not claiming a complete understanding; far from it. The purpose of this analysis, as I stated in Chapter One, is to bolster the current scholarship. This effort begins with my above interpretation on the nature and power of capital. I am therefore suggesting that we begin to discuss neoliberalism from this perspective. I argue that such a new discourse may lead to ideas and subsequent solutions not yet realized.

As a final comment on this analysis, I realize that what I have put forward is part rational and part non-rational, but remember that Otto (1923) warns us against the error in our thinking that by using reason and rationality alone, we have exhausted our investigation of a

phenomenon; in this case - neoliberalism. Recall the important point that the idea of non-rational is not the opposite of rational; irrational is. Non-rational, or increasing human knowledge through narrative is also, like rational, based on logic. This is why Otto (1923) argues that we can still grasp it. In short, non-rational is simply a different way of thinking and understanding.

The thoughts presented in this analysis will hopefully have shown not only the connection of capital to homoeconomicus and the division of labor, since both are fundamental human activities, but also help to explain the supreme danger of neoliberalism; which is itself created for the extreme accumulation of capital by a few.

I now end this analysis on the nature and power of capital from this researcher's understanding and proceed to Section One of this chapter to begin the critical analysis of the concept of homoeconomicus; also captured as economic man; a pillar of neoliberalism.

Section One – Homoeconomicus

Classical vs. neoclassical economics. Before embarking on the specific aspects of homoeconomicus, especially its various historical contexts, it will be helpful to first understand the difference between classical and neoclassical economics. The reader will see that much of this section depends on this understanding. Classical Economics (2015) tells us that it originated during the late 18th century with Adam Smith (our main theorist in Section Two) and that it reached maturity in the works of David Ricardo and John Stuart Mill; whose thinking we will discuss at length later in this section. The theories of the classical school, which dominated economic thinking in Great Britain until about 1870, focused on economic growth and economic freedom, stressing laissez-faire ideas and free competition. In other words, it is 'classical' because it is based on the belief that competition leads to an efficient allocation of resources, and

regulates economic activity that establishes equilibrium between demand and supply through the operation of market forces.

Weintraub (2015) provides us with a nice and interesting contrast with the classical view in explaining what neoclassical economics is; again in lay terms. We will see that it is more of a refining than a rejection of classical economics; as one might surmise by the term itself. He tells us that neoclassical economics can be summarized as such:

Buyers attempt to maximize their gains from getting goods, and they do this by increasing their purchases of a good until what they gain from an extra unit is just balanced by what they have to give up to obtain it. In this way they maximize ‘utility’—the satisfaction associated with the consumption of goods and services. Likewise, individuals provide labor to firms that wish to employ them, by balancing the gains from offering the marginal unit of their services (the wage they would receive) with the disutility of labor itself—the loss of leisure. Individuals make choices at the margin. This results in a theory of demand for goods, and supply of productive factors. (pg. 1)

Even using lay terms, this needs explanation. The key point here in neoclassical economics is the idea of ‘maximum utility’; which requires an extensive use of mathematics. Weintraub (2015) tells us that neoclassical economics depends on the following three assumptions:

1. People have rational preferences among outcomes.
2. Individuals maximize utility and firms maximize profits.
3. People act independently on the basis of full and relevant information.

In the coming details of homoeconomicus with both classical and neoclassical economics now defined, at least on a cursory level, we will see that the core differences lie mostly in the changing nature of the far more complex, at least on the surface, modern man from the Victorian gentleman times of John Stuart Mill towards the end of the 18th century. In other words, the added complexities of modern man, like the guile developed to navigate through more sophisticated and nuanced choices, will change how economists analyze the new economic man; hence the move from classical to neoclassical economic theories.

Homoeconomicus: historical context. To achieve a better understanding of homoeconomicus, a few words on its historical context should prove helpful. We begin by placing ourselves in the midst of what can accurately be called the ‘heyday’ of Great Britain; the reign of Queen Victoria from 1837 to 1901. Domeyer (n.d.) paints the following picture of those times and its connection to John Stuart Mill, given credit by Habermas (1968) and many others as the creator of homoeconomicus:

The 19th century marked the heyday of the British Empire. After the defeat of Napoleon, Britain had few serious rivals in Europe. Through balance of power diplomacy and unchallenged naval dominance, Britain underwrote a 100-year peace, lasting from the 1815 Congress of Vienna until WW I. At the same time, Britain carried out a vast expansion of its overseas colonies and reaped the fruits of its extensive global trade network. As Chief Examiner of the East India Company and a leading thinker on colonial

policy, Mill played an important role in this golden age of British imperialism. (pg. 1)

The above quote is important because it highlights a turning point in history where British naval dominance established a global presence that enabled the idea of trade on a much larger scale; actually enabling a long period of peace.

In a more detailed view of what science looked like at that time, Porter (2001) in his article *Economics and the History of Measurement* tells us that “from about 1830 there occurred an enormous increase in the acquisition and use of quantitative information about nature, technology, and society alike. That date also marks, however, the appearance of a growing split between the measurement ideals of the physical and the social and economic sciences” (p. 14). I argue that from this history we can better see the kinds of powerful influences generated from an unprecedented increase in commerce that grounded and sparked a more quantitative look at the social sciences, specifically economics, that guided Mill in his work. This idea will be explained in much more depth and detail when I introduce the German Historical School shortly. For now, an official introduction to *homoeconomicus* is next.

Persky (1995) begins his analysis with a line of prominent authors who argued for and predicted the end of *homoeconomicus*, or economic man. As examples, he tells us that as early as 1939, Peter Drucker warned of *The End of Economic Man*. By 1976, Harvey Leibenstein could see *Beyond Economic Man*. In 1986, David Marsden asked the perennial question: *The End of Economic Man?* And recently, Marianne Ferber and Julie Nelson have described the territory *Beyond Economic Man: Feminist Theory and Economics*. In a response to these various authors he adds “despite these warnings, I suspect that the majority of economists remain confident in the survival of their favorite species” (p. 221). Persky (1995) even went so far as to

say that many now see economic man as virtually the only civilized species in all of social science. From these wildly and diametrically opposing views, a look into the origins, early character and natural history of economic man became the reason for the title of his article: *The Ethology of Homoeconomicus*.

According to Persky (1995) “John Stuart Mill is generally identified as the creator of economic man” (p. 222). Following this, he says that Mill never actually used this designation in his own writings, but the term did emerge in reaction to Mill's work. For a descriptive look at its early history, Persky (1995) tells us “in its first appearances in the late nineteenth century, economic man carried a pejorative connotation reflecting the widespread hostility of the historical school toward Mill's theoretical abstractions. Economic man also raised the indignation of Victorian moralists shocked at the postulation of such blatant selfishness” (p. 222). Persky (1995) further details the original hostility towards economic man as such:

The earliest explicit naming of economic man that I have identified is in John Kells Ingram's *A History of Political Economy* (1888). Ingram, an advocate of a broad sociology in the tradition of Auguste Comte, took considerable pains to disparage John Stuart Mill's political economy, which dealt not with real but with imaginary men- 'economic men' conceived as simply 'money-making animals'. (p. 222)

Persky (1995) next goes on to add that a few years later, John Neville Keynes (1890) picked up and established the phrase ‘economic man’ in his much more extensive methodological treatment. Keynes’s efforts though were considerably less hostile than Ingram's, yet still painted 'economic man,' whose activities are determined solely by the desire for wealth; and ascribed the origins of this abstraction to John Stuart Mill.

With this contentious beginning of *homo economicus* established, the question becomes; what exactly is this abstraction of Mill in his famous theory of Political Economy? Persky (1995) argues that while Mill's economic man was admittedly simple, he was not trivial. He then turned to Mill's early field notes for a better understanding. As an important note, the word 'abstraction' as used here is a technical term that means classifying and defining things as consistent and general; which makes them eligible to be represented by mathematical relationships.

John Stuart Mill's abstraction. Persky (1995) tells us that in John Stuart Mill's (1836) famous essay *On the Definition of Political Economy; and on the Method of Investigation Proper to It* described a hypothetical subject whose narrow and well-defined motives made him a useful abstraction in economic analysis. In it, Mill describes 'political economy' in a very straightforward way arguing that it "does not treat of the whole of man's nature as modified by the social state, nor of the whole conduct of man in society. It is concerned with him solely as a being who desires to possess wealth, and who is capable of judging the comparative efficacy of means for obtaining that end" (p. 223). Here, Mill stated quite clearly that he is solely interested in this singular facet of man and was not constructing man with the other aspects of his life. At first glance, this would seem like quite a reasonable and somewhat unobjectionable position to take, making one wonder: why the almost venomous denunciations by Marx and others? The answer can be found on the same page; where he qualifies what he really means. It is worth quoting at length because this is at least one point where Marx and others, in my view, ground their staunch criticism of Mill's political economy:

It [political economy] makes entire abstraction of every other human passion or motive; except those which may be regarded as perpetually antagonizing to the desire of

wealth, namely, aversion to labor, and desire of the present enjoyment of costly indulgences. These it takes, to a certain extent, into its calculations, because these do not merely, like other desires, occasionally conflict with the pursuit of wealth, but accompany it always as a drag, or impediment, and are therefore inseparably mixed up in the consideration of it. (p. 223, emphasis added)

From this articulation, with Mill saying that ‘political economy makes entire abstraction of every other human passion or motive’ suggests that he includes such things like love, faith, friendship, empathy etc. and that they are somehow intertwined with man’s desire for wealth accumulation. I believe that this, among other considerations, is what stirred the strong objections of Marx and others. But what was Marx’s strong objection to Mill’s political economy based on? We will see next that Marx thought that Mill had things backwards. Understanding these strong polar views between Karl Marx and John Stuart Mill is very important to this study and therefore a very brief detour is warranted to explain just how wide a gulf there is.

The explanation of the above deep gulf between Marx and Mill can be found in Marx (1977) in his work: *Capital: A Critique of Political Economy*. Recall from Habermas (1968) that Marx argues that capital, what he refers to as an ‘animated monster’, controls man and not the other way around, like Mill appears to argue in his defining political economy above. On what grounds do I say this? Marx (1977) argues:

Every kind of capitalist production, in so far that is it not only a labor process but also a process of creating surplus value has this in common, that it is not the workman that

employs the instrument of labor but the instrument of labor
 the employs the workman. By means of its conversion to an
 automation, the instruments of labor confront the laborer
 during the labor process, in the shape of capital, of dead
 labor that dominates and pumps dry living labor power.
 The separation of the intellectual powers of production
 from the manual labor and the conversion into the might of
 capital over labor is finally completed by modern industry
 erected on the foundation of machinery. (p. 423, emphasis
 added)

For now, from this, the reader can see the clear connection to the quotes of Marx used by Habermas (1968) where Marx argues that capital, ‘as an animated monster’, controls man while Mill on the other hand, argues that political economy makes ‘entire abstraction of every human passion or motive’. The two sides could not be farther apart, in my view. We now return from this very brief diversion to more details of homoeconomicus.

In interpreting Mill’s own definition of political economy, or the foundation of homoeconomicus, Persky (1995) deduces from this that things like luxury, leisure, and the enjoyment of costly indulgences, while sometimes conflicting, are all in fact tied together with the idea of his desire to create wealth and are therefore taken into its calculations. Mill, himself being a Victorian, felt obligated to include, even at the level of abstract theory, man’s passion for producing babies; as summarized in his ‘Principle of Population’. From all this, Persky (1995) argues that Mill’s economic man has four distinct interests: wealth accumulation, leisure, luxury and procreation. This then makes economic man more than his critics maintained, but less than

what they would have desired. In other words, economic man is not simply a money-hungry caricature, but is in fact far more complex than his critics allege; including of course, Karl Marx.

Persky (1995) now changes course a bit and argues “we make a serious error if we read into this animal the modern identification of economic man with rationality itself. In much contemporary usage, the essence of economic man lies not in what he picks, but in his rational method for making choices” (p. 223). In other words, the more sophisticated nature of modern man has made his rationality itself far more complex and hence far more difficult to predict. This is something that will be addressed shortly by Bowles & Gintis (1993) when they discuss a concept known as contested exchange. Since we are far removed from 18th century Victorian times, this is a good segue into a view of economic man that matches modern society.

As a prelude to this, Persky (1995) argues that Mill's economic man provides just enough psychological complexity to make him interesting. “On the one hand Mill argued that an expansion of economic man's range of motives risked indeterminacy. On the other, he recognized that without this modest psychological complexity, economic man would have no alternative but to work all day, regardless of incentives” (p. 224). From this view, economic man would in essence be a workaholic behaving exactly the same way in any institutional environment.

Persky (1995) argued that Mill had recognized that a wide range of economic behaviors could be observed across industries, nations and epochs. Consequently, Mill reasoned that a large portion of this variation in behavior could be traced to differing economic institutions. Indeed, Mill's central theoretical and empirical project was to use economic man, with his rudimentary but manageable psychology, to prove that institutions did matter. This now brings us to a modern view of economic man.

A modern view of economic man – economic institutions matter. Persky (1995) begins by arguing that Mill (1848) began his great work, *Principles of Political Economy*, with the thoughts of Adam Smith in a discussion of the historical record of the wealth of nations; the subject of the next section. He observed that among modern societies, wide differences persisted in the level and distribution of wealth. These differences, Mill asserted, could not be traced merely to differences in physical conditions and knowledge. For Mill, the key to comparative economics “lay in exploring the interactions between human nature and institutions” (p. 224). He then added that as soon as we recognize that economic man considers several key tradeoffs in his behavior, we can imagine a society of economic men, each with strong interests in wealth, luxury, leisure and procreation and attempt to determine the likely effects on them of differing institutions. This is of course another way of describing *homoeconomicus*, or economic man as a model of self-interested behavior; where one theoretically inputs these four variables to determine an outcome.

Setting aside the mathematics of Mill’s model, Persky (1995) gives him credit for some modern institutional innovations like incentives for workers that stem from his calculations. For example, when Mill discussed peasant proprietors, his concern centered on the influence of small-scale ownership as an incentive to work effort and accumulation and a discouragement to luxury and leisure. Acknowledging that there may be economies of scale associated with large agricultural enterprises, Mill’s purpose was to “determine whether the incentive effects of small-scale ownership were strong enough to act as an offset and raise overall production” (p. 225). His conclusion, based largely on reviewing empirical and often anecdotal writings, is that the incentive effects in question are quite strong indeed.

The reader should keep in mind that this is the result of mathematical calculations. While clearly serving the interests of owners, Mill’s model, at least in my view, argues that workers

should not be just worked to death and that by applying incentives, their behavior will change for the benefit of the institutions and the workers alike. This, one could credibly argue, is a benefit from Mill's quantitative model of self-interested behavior. From this view of economic man and institutions, Persky (1995) next introduces what I believe to be an aspect of Mill's thinking that can help explain the enormous global acceptance and power of neoliberalism.

The ethology of *homoeconomicus*. In providing a strong connection between *homoeconomicus* and this study of neoliberalism, Persky (1995) begins this critical analysis by arguing that "throughout the *Principles*, Mill's discussions of incentives slipped almost seamlessly into explorations of the social psychology of tastes and character" (p. 226). He next adds that Mill viewed efforts to analyze the development of character as the proper task of ethology, a science he placed logically subsequent to elementary psychology. Ethology, according to Mill, was that science which determines the kind of character produced in conformity to those general laws of psychology.

Here is where Persky (1995) begins to make the connection of Mill's thinking to this study of neoliberalism. He says that working from the base of general ethology, Mill argued that 'economic ethology' would then construct a theory of the causes which determine the type of character belonging to a people or to an age. Mill thought economic ethology was still in its infancy. Despite that, (this is where the strength of his thinking builds up) "the causes of national character are scarcely at all understood, and the effect of institutions or social arrangements upon the character of the people is generally that portion of their effects which is least attended to, and least comprehended" (p. 226).

Persky (1995) now tells us that despite Mill's assertion that little was known of economic ethology, in the *Principles*, he repeatedly attempted deductions as to the ethology of economic

man. Of great importance, he argued that at any given time, economic man could be expected to respond differently to different institutions. This was political economy. Over time, continuous exposure to a particular set of institutions could be expected to influence the very tastes of economic man; this was economic ethology. It is this brilliant fundamental thinking from Mill, as far back as 1848 that, in my view, partly grounds the incredible global acceptance of neoliberalism today. How so?

Persky (1995) builds this connection starting from early the 19th century by arguing that “an early life of luxury predisposes the younger children of the nobility to extravagant consumption” (p. 227). Specifically, he argues that as far as the development of an individual’s character is concerned, the notion that more or less rational choices made by one generation predispose the tastes of subsequent generations to reinforce similar choices. He then adds next that a choice of luxurious consumption by the parents becomes a taste in the children. In my view Mill, using his own model for self-interested behavior, is providing a theory of family and class-based wealth that is very strong to this day.

Looking at Mill’s thinking critically, Persky (1995) does add that Mill wavers on precisely how persistent an effect such acculturation has on economic man. At some points, he implies that national characteristics rooted in long custom can only be changed gradually. On other occasions, he suggests a change of institutional regimes will have almost instantaneous results. Despite the wavering, Mill was not alone in this thinking.

Persky (1995) tells us that Walter Bagehot (1879), held that the motives and tastes typical of economic man were themselves a product of the spread of commerce. Bagehot saw economic man as a product of societies where the commercial element is the greatest element. Thus, the logic of economic man implicit in political economy could only be applied to such communities:

"In so far as nations are occupied in 'buying and selling,' in so far will 'political economy', the exclusive theory of men buying and selling, come out right, and be true. Bagehot thought political economy an appropriate tool for studying England where it might be exactly true" (p. 227).

Persky (1995) using the thoughts of Walter Bagehot (1879) brings the idea of *homoeconomicus*, or economic man, into modern neoliberal times where the spread of commerce has proliferated into the powerful concept of the global market we see today. How so? The reader will likely suspect, and rightly so, that this is obviously an important connection to make as part of this study. For now, recall that one definition of *homoeconomicus* has it tied into neoclassical economic theory. Chapters Five and Six will provide in-depth detail of how neoclassical theory developed from a contested idea into a global phenomenon; ironically emanating from right here in Chicago.

In concluding his thoughts, Persky (1995) ends his article by arguing "the message to derive from Mill's *homoeconomicus* is not that humans are greedy, not that man is rational, but that social science works best when it ruthlessly limits its range" (p. 230). This cannot be overstated. To my mind he provides an overall strong argument against the very foundation of neoliberalism inasmuch as today's level of consumption and drive for wealth can only be maintained by disregarding and totally submerging many important variables in the basic psychology of human beings.

Using Persky's (1995) conclusion, I argue, somewhat harshly, that in today's *homoeconomicus*, neoliberalism intentionally and ruthlessly eliminates such human psychological factors like love, faith, friendship, empathy, etc. from gaining any prominence in overall human behavior; as they are all squashed under the model's dominance of Mill's four

essential elements: wealth, luxury, leisure and procreation. In other words, these four dominant elements are what creates and allows its success; at the expense of the other human dynamics just mentioned.

Recall Watson (2003) from Chapter Two who told us that within the language of neoliberalism, you are unable to convey any human emotion, including the most basic ones such as love, happiness and empathy. You cannot he says, tell a joke in this language, or write a poem, or sing a song. I argued that that was the most damning aspect of neoliberalism. A deeper and more critical look into modern *homoeconomicus*, who now exists in a neoliberal world, and how he evolved in history is next.

Homoeconomicus – a critical history. Bowles & Gintis (1993) bring us up to date with exactly what *homoeconomicus* has become that the reader will surely recognize. They begin with a connection to the 19th century Victorian background of John Stuart Mill discussed in Persky (1995) and Domeyer (n.d.) earlier.

The strength of the neoclassical paradigm, generations of students have been told, lies in its hardheaded grounding in a general model of self-interested action. But recent developments in microeconomic theory have shown that the self-interested behavior underlying neoclassical theory is artificially truncated: it depicts a charmingly Victorian but utopian world in which conflicts abound but a handshake is a handshake. (p. 83)

This, in my view, suggests a certain ethical and even moral foundation to *homoeconomicus* who lived in the neoclassical economics of the Victorian era. It would seem to me that this foundation was the direct product of the times Mill lived in when he developed his

theory of political economy and just assumed that this is what man would be like in the future. After all, he had no reason to think otherwise; as clearly no one knows the future.

As you will soon see, homoeconomicus has changed dramatically from these Victorian times. An analysis of these changes is where it gets real interesting; as Bowles & Gintis (1993) argue that “abandoning the Victorian world of neoclassical theory will redirect economists to an older conception of their profession: what once was called political economy. Adam Smith and Karl Marx alike knew that a handshake was not always a handshake” (p. 83). To unpack this very important chronological point of abandoning neoclassical economics, we need at least a cursory discussion of what they mean by returning to the older idea of political economy. I begin with Ingram (1923) who provides a useful historical background that we can use in understanding the changing and vacillating economic contexts Bowles & Gintis (1993) discuss above.

The German Historical School. Ingram (1923) in his book: *A History of Political Economy* spends under twenty pages discussing what he terms ‘ancient times’, where he focused on the political and social thinkers of that era like Plato, Aristotle, Seneca, Cicero, etc. For our purposes, the precursor to classical economics, according to him, can be seen beginning from the Middle Ages: circa 400 -1300 AD. In laying out the important contexts of that era, he tells us “no large or varied economic activity was possible under the full ascendancy of feudalism” (p. 23). He adds that most historians present that way of life as indispensable for the preservation of order, for the public defense and also contributed important elements to a civilized society.

Ingram (1923) next claims that during the latter portion of the Middle Ages, several significant circumstances emerged that greatly changed the social impact of feudalism and began the segue into a different and expanded era of economic activity. Most notably:

The Crusades produced a powerful economic effect by transferring in many cases the possessions of the feudal chiefs to the industrious classes, whilst bringing different nations and races into contact by enlarging the horizon and widening the conceptions of the populations as well as by affording a special stimulus to navigation, they tended to give a new activity to international trade. (p. 24)

From this very brief overview of a segment of economic history, the reader should begin to sense the beginnings of political economy as naturally stemming from the latter part of the Middle Ages. However, in explaining this economic history, and especially the movement to current economic times, he introduces what he calls the Historical School.

Ingram (1923) begins our analysis of the contextual understanding of economic history through time, starting in 1848 by discussing Bruno Hildebrand, whom he calls a thinker of ‘real high order’. He went so far as to say there was no other German economist endowed with a more profound and searching intellect. According to Ingram (1923) Hildebrand’s work contained a masterly criticism of the economic systems which preceded or belonged to his time; including that of Smith, Muller, List and others. “The object of his work, he tells us, is to open a way in the economic domain to a thorough historical direction and method, and to transform the science into a doctrine of laws of the economic development of nations” (p. 197).

Ingram (1923) uses the thinking of Karl Knies in his work entitled: *Die Politische Oekonomie von Standpunkte der geschichtlichen Methode*, where, five years later in 1853, he develops Hildebrand’s thinking and shows the connections I just mentioned. He argues that Knies’ work is an elaborate exposition and defense of the historical method in its application to economic science and its most systematic and complete manifesto of the new school. Knies’ defense of the historical methodology in economic history is so fundamental and profound an

idea that, while a bit long, it is necessary to quote at length for full understanding and appreciation:

The fundamental propositions are that the economic constitution of a society at any epoch on the one hand, and on the other, the contemporary theoretic conception of economic science, are the results of a definite historical development; that they are both in vital connection with the whole social organism of the period, having grown up along with it and under the same conditions of time, place and nationality; that the economic system must therefore be regarded as passing through a series of phases correlative with the successive stages of civilization and can at no point of their movement be considered to have attained an entirely definitive form; that no more the present than any previous economic organization of society is to be regarded as absolutely good and right, but only as a phase in a continuous historical evolution, and that in like manner the now prevalent economic doctrine is not to be viewed as complete and final, but only as representing a certain stage in the unfolding or progressive manifestation of the truth.

(p. 198)

First, as a researcher, I was awestruck and unbelievably grateful; as I have never come across such powerful holistic thinking that meaningfully connects so much in such an insightful

manner as Ingram's (1923) interpretation of the work of Karl Knies. In my view, this is a very strong analysis of the essence of the German Historical School. First, it properly debunks all fallacious arguments of 'original thought' stemming from the minds of specific individuals or even specific locations, and places the genesis of ideas (economic or others) where they really belong; as functions of continuous time. In the beginning of Section Two of this chapter, the reader will see this very idea validated by a secret association of 10th-century CE Muslim thinkers; as I briefly discuss the history of ideas.

Second, Knies' thoughts are, in my view, the highest rejection of positivism as epistemology. How? He clearly says that 'any contemporary theoretic conception of economic science, are the results of a definite historical development; they both infer that any political economy is in vital connection with the whole social organism of the period'. What does he mean here? In my view, his reference to an organism represents the holistic nature of his thinking; as he is arguing that political economy should be properly understood in a biological sense in that it 'lives and grows' which also means that it changes with time.

From this I argue that in analyzing any political economy, to dissociate and decouple any of the components of this 'social organism' for separate analysis is illegitimate and creates false meaning. For example, in our case, in trying to analyze and make sense of Mill's political economy without fully integrating the Victorian times he lived in that created his thoughts is incorrect, and, more importantly, in trying to insert Mill's thinking into future times is baseless and will lead to things that are no longer true. In doing so you are more likely to find yourself trying to force a square peg into a round hole.

Knies defends the German Historical School as a proper way to think about political economy. He is arguing that it is correct to say that John Stuart Mill's famous political economy,

the foundation of current classical and neoclassical economic theories, emanate from his time in history as he passed through it; they have no separate distinct originating scientific validity in and of themselves that can accurately predict future times; something that science claims to be able to do. In other words, his place in time actually made his thinking and not the other way around. This has profound implications for this study of neoliberalism. Chapter Five will pick up on this holistic thinking from a different perspective when I introduce the opposing economic philosophies of neoclassicism and institutionalism fought at the early pre-war University of Chicago, School of Economics.

This now gives us the theory that allows us to return to Bowles & Gintis (1993) above, who discuss modern *homoeconomicus* and how the changes have taken place over time. Recall that we wished to unpack their statement that ‘abandoning the Victorian world of neoclassical theory will redirect economists to an older conception of their profession: what once was called political economy’. The objective of this unpacking it is to better understand how we come to modern *homoeconomicus*.

Using Ingram’s (1923) discussion of economic history and his interpretation of the German Historical School, we now have a theory to do this. In a very high level historical chronology, we can begin our unpacking of their statement with the middle ages where feudalism reigned. Next, the Crusades ushered in powerful economic vitality via new international trade that created a working class and redistributed much of the wealth in the hands of the feudal lords to new classes with a rising social status.

To begin our connection to Bowles & Gintis (1993), next in our high level chronology, we have the reign of Queen Victoria from 1837 to 1901. This timeline connects back to Ingram (1923) where he discusses the Crusades as a causal factor in the very beginning of political

economy. To begin, Mays (2011) makes clear use of the German Historical School thinking when he discusses aspects of the Victorian era and John Stuart Mill, creator of *homoeconomicus*, by using history as explanation for the thoughts of the economists of that era. For example, Mays (2011) investigates the comparative historicist perspective through which ‘the Victorian’ came to imagine themselves as ‘Victorian’. That perspective can be seen in what some Victorians might well have labeled a pre-Victorian text—John Stuart Mill’s 1831 essay ‘The spirit of the Age’. In heavy usage of the historical school of thought, he argues that in it, Mill suggests that the distinctive feature of his transitional age is its penchant for historical comparison. “He describes this comparative gaze as looking in two directions simultaneously—both backward to former ages and forward to those which are yet to come” (p. 446).

This, in my view, is exactly what Ingram (1923) meant by using the German Historical School thinking as theory that not only explains the present but grounds the future. In other words, when looking to analyze a political economy of a future time one needs to look at both current environmental conditions of that time as well as historical conditions from which it grew.

The return to political economy. With this history in mind, we can now return to Bowles & Gintis (1993) and ask the question: what was it that fueled that change in economic thinking from the powerful and proud hey-day of Victorian times when ‘a handshake was a handshake’ back to political economy, where many economists realized that that was not always true? The answer is strongly suggested in the title of their article: *The Revenge of Homo-economicus: Contested Exchange and the Revival of Political Economy*. But what is contested exchange?

We can begin to understand what contested exchange is by reviewing what exchange relationships meant in the textbook neoclassical model of Victorian times. We will first need to delve, at least in a cursory fashion, into a few technical concepts of classical economics to better

understand the idea of contested exchange: The late 1870's Arrow-Debreu and Leon Walrus models of general equilibrium. As a note: Levin (2006) defines general equilibrium analyses as addressing precisely how "vast numbers of individual and seemingly separate decisions referred aggregate in a way that coordinates productive effort, balances supply and demand, and leads to an efficient allocation of goods and services in the economy" (p. 1). In lay terms, this means the workings of the entire economy explained mathematically as an abstraction. From this the reader can better see how the idea of *homoeconomicus*, an abstraction itself, fits into and makes sense in the minds of economists and why it is such an important idea to them.

While the full technical explanations of these models are out of scope with this study, the significance and influence of them are discussed by Geanakoplos (2004) where he starts by arguing that it is not easy to separate the Arrow-Debreu models of general equilibrium from mathematical economics itself. "In an extraordinary series of papers, Arrow & Debreu, two of the oldest and most important questions in neoclassical economics; the viability and efficiency of the market were shown to be susceptible to analysis in a model that was completely faithful to the neoclassical premises of individual rationality and rational expectations" (p. 116). For over twenty years after its creation, the model was still yielding fresh new insights of economic thinking. Both Arrow and Debreu, at different times, won the Nobel Peace Prize for their work. The reader should keep in mind that this thinking was created in the middle of Victorian times.

For our second model, Bowles & Gintis (1993) tell us that Leon Walrus, by contrast, had defined the pure science of economics to which he aspired, as the study of relationships among things, not people and sought, with notable success, to eliminate human relationships from his purview. In a humorous comment, they next add that his device for accomplishing this, Walras' fiction as we call it, was the notion that interactions among economic agents might be

represented as if they were relationships among inputs and outputs. With these two models now very briefly defined in lay terms, where does that leave us?

First I believe the reader will begin to see the overuse of ‘rational’ mathematics in economic theory to describe reality and that that was not going to last forever. Also the reader will begin to see that there is no room for the kinds of human behavior, i.e., greed, avarice, treachery etc., that we all know too well in these neoliberal times. The abandoning of this economic worldview should begin to make more sense.

To make this point clearer, Bowles & Gintis (1993) introduce a very short story called: *Roadside Stand Outside Blacksburg* that should prove helpful in interpreting and understanding the main points of their article:

I do not know the fruit salesman personally, and I have no particular interest in his well-being. He reciprocates this attitude. I do not know, and have no need to know, whether he is in direst poverty, extremely wealthy, or somewhere in between. Yet the two of us are able to transact exchanges efficiently because both parties agree on the property rights relevant to them. (p. 4)

What does this short story mean to our discussion? To begin, this story is best viewed as a literary expression of the Victorian phrase ‘a handshake is a handshake’. In addition, this fictional story is a literary manifestation of the Victorian ideals that both neoclassical economic models described above represent. What do I mean here? The reader can see how neatly such a transaction based on this idealized human behavior would fit into both models. In addition, it

gives a solid picture of the Victorian world view that came under attack for its lack of realism and its lack of ability to model far more complex human behavior. With this background, the authors have painted a nice path for us to follow, placing us at the point where we can now explain the concept of contested exchange. This in turn will lead us into better understanding the arrival of modern *homoeconomicus*; as understood by Bowles & Gintis (1993). We are now at the end of the Victorian age and the beginning of the twentieth century.

Modern homoeconomicus. Bowles & Gintis (1993) tells us that beginning in the 1970s, economists in a variety of fields reintroduced *homoeconomicus* to the profession. However, many economists doubted that it was really the same person. The reader should keep in mind here that economists use this in a quantitative sense to make predictions about economic behavior; so accuracy is a chief concern. They realized that this new economic man was not a Victorian gentleman: he is uncompromisingly thorough in pursuing objectives, and often he is less benign. “Not satisfied with calculating marginal rates of substitution while shopping for groceries, he now optimizes while deciding how hard to work for his employer, how truthfully to transmit information to his exchange partners, and whether the benefits exceed the costs of defaulting on a loan” (pg. 84). The reader can now see why I said earlier that the new *homoeconomicus* is an abstract of a person we will all recognize.

Bowles & Gintis (1993) next add that these troublesome activities of the new *homoeconomicus* include the full set of efforts to lie, cheat, steal, mislead, disguise, obfuscate, feign, distort and confuse. They claim that Williamson (1984) refers to this phenomenon as self-interest-seeking-with-guile. But here’s a critical point: ‘guile’ according to them, is included in the very concept of optimization and is no less an example of sophisticated self-interest than buying cheap and selling high. In other words, this long list of non-virtuous characteristics of the

new homoeconomicus are now seen as intrinsically a part of his very nature. This brings us to the idea of contested exchange.

Bowles & Gintis (1993) define a modern economic transaction as a ‘solved political problem’. From this they argue that economics has gained the title of queen of the social sciences by choosing solved political problems as its domain. “Through the lens of contested exchange, the economy looks considerably different” (p. 86). What do they mean by this? We must use the language of economists and how they think in our explanation.

In lay terms, markets have become far more complex inasmuch as they handle the modern homoeconomicus with all his non-virtuous impulses described above. Returning to the economist’s thinking, Bowles & Gintis (1993) point out for example, that the labor market not only allocates workers to jobs, it also provides an environment governing the regulation of the quality and pace of work. Similarly, credit markets do more than allocate capital among borrowers. Because the promise to repay a loan is not enforceable by a third party (the borrower may be bankrupt or enjoy limited liability), credit markets also provide non-contractual mechanisms for the enforcement of prudent levels of risk. Similar observations apply to the goods markets, in which consumers typically pay a price in excess of marginal cost, while their implicit threat to switch suppliers if dissatisfied induces firms to supply high quality products. Again in lay terms, markets now reflect the new homoeconomicus. Bowles & Gintis (1993) now ask; if markets perform disciplinary as well as allocative functions, we might reasonably ask how good a job they do: under what conditions do markets provide efficient solutions to disciplinary problems arising from the contested nature of exchanges? They answer: they operate quite imperfectly, and the competitive pressures favoring the emergence of more efficient mechanisms are themselves imperfect.

Bowles & Gintis (1993), connecting to our discussion on the nature and power of capital, next discuss power in modern *homo economicus*. They begin with an interesting definition of the power economics affords people. “While the concept of power is far from settled in political theory, we can offer a relatively uncontroversial sufficient condition for the exercise of power, namely, the ability of furthering one's interests by imposing (or credibly threatening to impose) sanctions on another agent when the converse is not also true” (p. 88). They next add that credible sanctioning power in the above sense is often present in contested exchanges, the threat of dismissal and the termination of a credit relationship being examples. Contested exchanges thus have an essentially political aspect, and mechanisms designed to enforce claims through monitoring and sanctioning are political structures in the everyday sense that they govern the exercise of power. It should be easy for the reader to now see that this is indeed a description of how the poor, marginalized and the working classes are controlled in modern times via the social power economics affords those with money.

Bowles & Gintis (1993) conclude their article by arguing that the very idea of contested exchange may also reflect the growing malaise amongst economists and others concerning what appears to be an unravelling of valued social norms. In a hopeful view they claim that “the post-Walrasian paradigm is likely to expand the disciplinary boundaries of economics to include, as in the 19th century, the selective study of law, history, sociology, psychology, and politics” (p. 100). In other words, in my view, they are saying we need to return economics to its rightful place within the social sciences and remove it from the false-fitting grip of the natural sciences. This, as we will see in Chapter Five, is the essence and argument of institutionalism.

Before summarizing the thoughts of Bowles & Gintis (1993) I need to look deeper into the mind of the individual that makes up modern homoeconomicus. In other words, how ‘rational decisions in humans’ are actually made.

Human rational decision making. Recall Persky (1995) argued that “we make a serious error if we read into this animal the modern identification of economic man with rationality itself. In much contemporary usage, the essence of economic man lies not in what he picks, but in his rational method for making choices” (p. 223). Myers & Papageorgiou (1991) provide us with a more thorough understanding of this idea of rational choice behavior in humans.

The connections to Bowles & Gintis (1993) are evident as these authors begin with their position that the allocation of resources among users and the distribution of wealth among individuals represent two fundamental categories of issues in neoclassical economics. Myers & Papageorgiou (1991) argue that “allocation of resources in an efficient manner is a technological problem, while distribution, on the other hand, of welfare among individuals is a philosophical and a political problem, a problem of social justice” (pg. 386). Since this is a study of neoliberalism with its social impacts and not an in-depth analysis of economic theory, I will focus on the latter.

The following analysis of limited human mental processing capabilities provides, in my view, possibly the strongest argument that neoliberalism stands upon very shaky grounds; at best. Myers & Papageorgiou (1991) start their explanation of how individuals make their choices by claiming that the currently dominant view in psychology and the behavioral sciences is expressed by ‘information processing’ theories of individual choice behavior. To connect this to Persky (1995), it is necessary to quote this bit of technical detail that these authors use to explain their critique of homoeconomicus:

Since individuals have limited information-processing capacity, they avoid excessive computations. Instead, they depend on simple and myopic algorithms that adapt their behavior to their capacity limitations. Thus, the choice process involves processing capacity, motivation, attention, perception, information acquisition and evaluation, use of memory, decision rules and processes, and consumption and learning. Choice is indeed a very complex phenomenon. (p. 386) What does this mean and how does it connect to Persky (1995) and his criticism of *homoeconomicus*?

Myers & Papageorgiou (1991) provide a very straightforward albeit technically detailed answer. They begin by telling us that neoclassical economics, where *homoeconomicus* began and where Bowles & Gintis (1993) have shown why we have returned, favors analytically tractable models. Making a direct connection to Persky (1995) they claim “since the choice process is complex, there is a limit on the level of detail one could incorporate in any analytically tractable model of individual behavior” (p. 386). They go on to add that even if it were possible to build a comprehensive model of an information-processing theory, and even if this model was analytically tractable, it would perhaps be useless. They argue, technically, that the reason is since the choice process is strongly cyclical, goals, attention, perception, decision rules, and other components of the choice process can be modified during the process through feedback from any component of the process. This, they claim, makes information-processing theories in their most general form so flexible that no description useful for something else, such as prediction or explanation, can be made, since any type of behavior is justifiable. Thus, even when the interest is in individual behavior itself, it is better to reduce the scope of information-processing theories enough to obtain predictions or explanations about the behavior of individuals in the hope of achieving insight. This, in my view, not only connects to Persky

(1995) but also provides sound philosophical grounding using the information processing hypothesis model of rational choice found in modern psychology, on why homoeconomicus, as a model of human behavior that supports neoliberalism, will always produce the social injustice Myers & Papageorgiou (1991) mentioned above. How so?

In short, these authors are saying, in my opinion, that the very limitations of our own mental capabilities prevent us from processing increasing amounts of complex detailed data. In other words, the sheer amount and complexity of human variables needed for a proper calculation of what we should or should not do forces us to reduce our thinking to more simplistic levels where things like wealth, luxury, leisure and procreation, the four elements of Mill's political economy, are easy to understand and choose.

This all now sums up what, in my view, Bowles & Gintis (1993) meant when they argued that "abandoning the Victorian world of neoclassical theory will redirect economists to an older conception of their profession: what once was called political economy, where Adam Smith and Karl Marx alike knew that a handshake was not always a handshake" (p. 83). I now turn to a few critical views of homoeconomicus and will begin to ground my rejection of the very idea itself. I begin with a discussion on rational choice in humans; a foundation of homoeconomicus and a pillar of neoliberalism.

A critical view of human rational choice. Sen (1997) in his article: Rational Fools: A Critique of the Behavioral Foundations of Economic Theory begins our investigation. He leans on the thoughts of Francis Ysidro Edgeworth, famed philosopher and economist. He starts by directly connecting his work to the thinking of Mill's Political Economy discussed above. He claims that "in his Mathematical Psychics, published in 1881, Edgeworth asserted that the first principle of Economics is that every agent is actuated only by self-interest. This view of man has

been a persistent one in economic models, and the nature of economic theory seems to have been much influenced by this basic premise” (p. 317). Sen (1997) sets out to critically analyze this very statement by Edgeworth.

Sen (1997) interestingly, adds that Edgeworth himself was not entirely sold on this first principle of economics and called 19th century economic man an impure egoist and mixed utilitarian. He then asks the question: why did Edgeworth spent so much of his talent and time on a line of inquiry he believed to be false? He argues that this question is of continuing interest to modern economists as well.

Sen (1997) extends this same line of thinking to ask the very interesting and purely hypothetical question: how would someone not exposed to capitalism answer the question: what will an economy motivated by individual greed and controlled by a very large number of different agents look like? The answer, he claims, is most likely there would be chaos. While this may seem like a meaningful question for economists to ponder, he replies the primary concern here is not with the relation of postulated models to the real economic world, but with the accuracy of answers to well-defined questions posed with preselected assumptions which severely constrain the nature of the models that can be admitted into the analysis. “A specific concept of man is ingrained in the question itself, and there is no freedom to depart from this conception so long as one is engaged in answering this question” (p. 322). What is he saying here?

In my view, he is pointing out the vast gulf between theory and the real world. He adds that the nature of man in various theoretical economic models continues, then, to reflect the particular formulation of certain general philosophical questions posed in the past. He argues that a more thorough conception of man is simply not a part of this inquiry. In other words, he

sees little value in pursuing this purely theoretical line of thinking; at least in this article. He does however present something he sees as simpler to explain as to why the conception of man in economic models tends to be that of a self-seeking egoist.

From this Sen (1997) next argues that “it is possible to define a person's interests in such a way that no matter what he does he can be seen to be furthering his own interests in every isolated act of choice” (p. 322). This appears to take into account far more elements of human psychology found in Mill’s political economy than just the basic four of wealth, luxury, leisure and procreation. He points out that this line of thinking, while relatively recent in the theory of revealed preference, has a long history; as Joseph Butler argued against Mill’s thinking more than two centuries ago in the Rolls Chapel. His argument, a bit mathematical but very relevant, is summed up as follows:

The reduction of man to a self-seeking animal depends in this approach on careful definition. If you are observed to choose x rejecting y, you are declared to have ‘revealed’ a preference for x over y. Your personal utility is then defined as simply a numerical representation of this ‘preference’, assigning a higher utility to a ‘preferred’ alternative. With this set of definitions, you can hardly escape maximizing your own utility, except through inconsistency. (p. 322)

He next quickly adds that you can of course choose x and reject y on one occasion and do the exact opposite on another, thus categorizing yourself as inconsistent. What does all this mean? He is saying that it is quite easy to confuse revealed-preference theorists into labelling you as inconsistent or as one whose preferences are changing. In either case, you cannot be placed in a model that shows how you maximize your preferences; the very reason for the model

itself. “You can frustrate the revealed-preference theorists through more sophisticated inconsistencies as well” (p. 323).

Sen (1997) brings this all together when he says:

This approach of definitional egoism sometimes goes under the name of rational choice, and involves nothing other than internal consistency. A person's choices are considered ‘rational’ in this approach if and only if these choices can all be explained in terms of some preference relation consistent with the revealed preference definition, that is, if all his choices can be explained as the choosing of ‘most preferred’ alternatives with respect to a postulated preference relation. (p. 323)

This, in my view, is a stinging denunciation of the very idea of rational choice; which of course is at the heart of *homo economicus*. In other words, Sen (1997) is telling us how weak this abstraction of Mill’s economic man holds up under the most rudimentary inspection of the so-called human observations that give it credence. I believe this to be why he chose the wording of *Rational Fools* in the title of his article.

Finally, in another serious and powerful blow to the neoclassical idea of quantifying rational choice, Marx (1973) in his book: *Grundrisse: Introduction to the Critique of Political Economy* discusses the essence of capital that connects to Sen’s (1997) above critique. Marx (1973) argues “when a consumer refuses certain commodities, it is not always, as is assumed by the new economists, because he wants to purchase others in preference, but because he wants to

reserve entire the general power of purchasing” (p. 600). Here, Marx discusses the nature of capital in itself that the neoclassical economist clearly does not see or dismisses outright. In my view, classical and neoclassical theory assumes money, a form of capital is to be spent. From this it becomes a matter of how the consumer will spend. This in turn becomes ‘rational choice’ and applied quantitatively to the fictional economic man or homoeconomicus. Marx (1973) argues that this assumption may be baseless. This segues us nicely into the next critical view of homoeconomicus; an examination of its engagement with values.

Role of values in economics: six theses. Tsakalotos (2005) begins by arguing that if political economy is to dislodge neoclassical economics from its position of dominance, it must become more interdisciplinary” (pg. 893). He then questions whether critics of mainstream (current) economics are merely opposed to the specific theoretical toolbox adopted by particular classical economists in the nineteenth century or neoclassicals in the twentieth; or whether, on the contrary, the critique encompasses the very category of economics itself as understood as a set of propositions about the economy and abstracted from politics, culture and values. He argues for the latter. His position is that abstracting values, and in more generally, culture, as is done in classical economics, does not constitute a methodologically neutral stance but instead in fact actually takes up a value position; all the more pernicious for it going unrecognized. Getting to his point, he argues that this has important consequences for how social reality, including economic institutions and policies, are understood.

He starts off giving a temporary semi-endorsement of neoclassical economics. However, he says that the literature is unlikely to make much of a dent. The reason has to do with the commitment of most neoclassical economists, if not to perfect competition itself, then at least to the ideal of perfect competition. (Recall our charming neoclassical Victorian short story of A

Roadside Stand Outside Blacksburg) Even with this temporary semi endorsement of the neoclassical school, Tsakalotos (2005) goes further to include the classical thinkers as part of the main thrust in his critique of both. He argues that “there has been a growing interdisciplinary literature examining the ethical limitations of both markets and neoclassical economics” (p. 895).

His thrust is that this common commitment to the market that both classical and neoclassical thinkers alike have, is actually the theoretical underpinning of their understanding of economics in general. This is a critical point. However, this commitment to the market is not the case for most political economists in the tradition of post-Keynesianism, Marxism and institutionalism. “Economists here would, to be sure, have many differences between them on the scope of the market, the role of other institutions of economic governance and so on. But there is no basic commitment to the market” (p. 895). This idea of a basic commitment to the market will become a central theme taken up in detail in Chapter Six where I introduce Frederick von Hayek and his part in the rise of neoliberalism.

Tsakalotos (2005) argues from this that a ‘revitalized political economy’ can take on board the ethical critique far more readily. Why this has not happened, at least yet, to any large degree, according to him, is because of the fear of many political economists that an engagement with values necessarily diminishes the scientific status of their approach. To dispel this fear and to provide a counter argument, is the task of his article entitled: *Homo Economicus and the Reconstruction of Political Economy: Six Theses on the Role of Values in Economics*.

Thesis one- The centrality of values to economic theory. This first thesis says that values are crucial to peoples’ understanding of reality and helps them to make sense of that reality. Since economics purports to be concerned with reality it cannot avoid values. With economics defined as a social science, he argues here that “values may or not be integral to the natural

sciences, but it is difficult to see how they can be avoided in the social sciences” (p. 895). He then makes the claim that we should accept two almost self-evident propositions. The first is that people are for the most part self-evaluating beings who have some understanding (however incomplete) of the practices they are involved in. They also debate such understandings with others and are often keen to justify not only the social practices that matter most to them but also their own role within them. The second is that social theory has as its main object such practices, not only describing them, but informing them and even criticizing them.

Of special importance to this study, Tsakalotos (2005) discusses the fundamental homoeconomicus model that recommends self-interested behavior. He argues that such behavior is not a logical necessity but nevertheless may be difficult to resist in practice. He asks: how can neoclassical economists ignore this? The answer, according to him, is to think of values as constraints. But what is it that is being constrained, he asks next? He uses the thinking of Sunstein (1997) who points out that it is “very difficult to make sense of economists’ separation of rationality from social norms” (p. 896). He argues that a norm-free conception of rationality would have to depend on a conception of what peoples’ rational ‘interests’ are in a social vacuum; an obviously unintelligible thought since people never act in a social vacuum.

In an interesting and refreshing move, he flips the switch on the fundamental idea of homoeconomicus by asking “why can we not start with models that associate rationality with what can be publicly defended on ideal considerations with self-interest as a constraint? Would economic theory not look different and privilege different social practices?” (p. 896). The reader can begin to see how this author is questioning the very foundations of neoliberalism and posits that its base (homoeconomicus or the model of self-interested behavior) is not only arbitrary, but wholly illogical and unsupportable.

Thesis two - Avoiding value analysis leads to bias that is all the more pernicious for being unaccounted for. This second thesis argues that economic models that purport to avoid values while at the same time privileging certain behavioral traits, such as self-interest, can never hope to be value-free. As has often been said, the rejection of a norm is itself a norm. Abandoning the terrain of values is a position that is value-laden to the core. The author defines *homoeconomicus* in terms of its vision of how people behave in a self-interested manner. Sadly, this human is clearly recognizable in today's neoliberal times. According to Tsakalotos (2005):

She is interested in satisfying given preferences, and in consuming privately 'bundles' of goods, rather than investing in relationships. She is basically asocial, acting more through 'exit' than 'voice', and most (if not all) of her relationships with others are through markets or contracts. Since these exchanges and contracts are entered into voluntarily there need be little conflict. What conflict there is will result from the existence of scarcity which itself can be attenuated by an orientation to ever greater production. Politically she is interested in negative freedom; minimizing the interference to the satisfaction of preferences from either other individuals or the state. (p. 897)

From here, this sad quote shows the neoliberal engine of ever increasing productivity. Additionally, a non-caring stratification of society or the widening of the gap between the rich and poor, rests. These ideas will be discussed in detail in the next section of this chapter when we discuss the division of labor.

Thesis three- Values are endogenous to institutions. Here Tsakalotos (2005) posits that not only are values important, they are deeply rooted in the institutional setting. He says that the neoclassical approach fails to see this because in most models when the issue of a variety of

behavioral traits is discussed at all, ‘the subject is theorized as inserted into, rather than shaped by, the context in which he or she is situated.

In a somewhat stinging rebuke to neoclassical economics, he remarks “the question of how to decide whether to act as *homo economicus*, *homo reciprocans* or *homo altruist* is never posed because it would challenge some of the most basic methodological tenets of neoclassical economics” (p. 899). In other words, human actions that are not based in self-interest, are not even discussed; as they would undermine the very essence of their theorizing. This connects directly back to Mill’s political economy where man is simplified to a being who desires but four things: wealth, luxury, leisure and precreation.

Thesis four- Economic actors and policies seek to alter or influence values. Here Tsakalotos (2005) argues that economic actors and policies often have values as their target. This is opposed to policies being about the best way to satisfy given preferences. His point is that it is often the case that policies work best if they are associated with a change of values. According to him, neoclassical economics, and the image of *homo economicus*, has no space for positive freedom, where people determine the limits and frameworks in which to operate. The neoclassical approach, he argues, seems untroubled by the fact that firms are seeking to influence values all the time. If it could even once be argued that advertising was merely providing information, telling consumers about the nature of the product; this now strikes us as incredibly naive. As is commonly known, advertising has increasingly focused on proposed lifestyles with attached values. Adding fuel to the fire, he claims that “of course different advertisements are aimed at different audiences but that some common values are being proposed can scarcely be doubted: individualism, autonomy as expressed through shopping, the disappearance of politics and so on. Moreover, there is no hint of the fact that in order to enjoy such goods, we may need

capacities in order to use them (training for instance) and the appropriate social context or environment (clean air or safe streets for instance)” (p. 902).

Thesis five- The contestability of all values. This thesis follows the main ideas from thesis four where he argues that “if economic actors, the state, and economic policies target values then they must expect opposition at this level” (p. 903). What does he mean? First, he claims that neoclassical economists misunderstand the opposition to economic policies. Using the thoughts of Thompson (1978), he says that we should remember that every contradiction is a conflict of value as well as a conflict of interest; that inside every ‘need’ there is a ‘want’ on its way to becoming an ‘ought’ (and vice versa).

He next adds a dramatic element when he refers to Marxist historians who, according to him, have always argued that the struggle against capitalism has included an opposition to the acquisitive ethos of *homo economicus*. “For men desire, fitfully, not only direct economic satisfactions, but also to throw off this ‘grotesque economic disguise’ which capitalism imposes on them, and to resume a human shape” (p. 903).

Tsakalotos (2005) concludes this thesis with an explanation of the thinking that is used in today’s neoliberal times that the reader will certainly recognize, and that sounds quite Marxian and Foucauldian in tone. He claims that this thesis brings to the fore the idea that the traditional focus on power is still of paramount importance. The critical piece here is where he says that “the extent to which an economy is regulated will not be just a matter of how these regulations bear on economic performance” (p. 903). This is because the level of regulations would not be distributed to the benefit of the power enjoyed by many groups in society. Thus capitalists, those in power, may quite rationally oppose an increase in such regulations, even if this is associated with superior economic performance, because they fear a slippery slope of workers pushing the

economy even further in the direction that they would like to see. Here the reader will recognize today's neoliberal mindset: "similarly capitalist support for deregulation is also not irrational, once it is seen that this diminishes the power of workers" (p. 904).

Thesis six- No value can act as trumps. Here Tsakalotos (2005) claims that since societies carry out basically the same set of functions, they are bound to be normatively significant. He argues that neoclassical theorists ignore this because they believe that they are not in fact committed to any such claims, and that what they are committed to at the normative level, follows from common sense and uncontroversial notions such as economic efficiency. The fact that there is amongst neoclassical economists such widespread agreement over what counts as success in the economic domain should thus come as no surprise This final thesis suggests that "alternatives to the neoclassical approach need, on the contrary, to be based on the existence of a plurality of values while, at the same time, seeking to promote procedures and institutions in which these can be debated and acted on" (p. 904). What does he mean?

He answers this when he uses the thoughts of Stiglitz (1994) who argues that the fundamental point is that there is no reason to believe that market economies 'naturally' make the right trade-offs or that, in particular, market economies with more ruthless competition are more efficient than economies in which competition is more gentle. Using this as a background, he uses as an example the problem of working time, both the length of the working day and the issue of 'flexible' hours, with respect to just the issue of those who have dependents and those that do not. He then uses Sayer (2000) who points out 'those who do have such commitments, primarily women at present, risk being categorized at work as unambitious or not proper 'team players'. In other words, it is not only capitalist pressures which create the problems that are the subject of the politics of time, but excessive ambition and the overvaluing of achievement

relative to other goods, particularly those concerning relationships. Clearly this is a direct byproduct of a strenuously competitive market environment.

Summing up the six theses. Tsakalotos (2005) ends his provocative article with a once common reference to the Soviet Union. He claims that “it used to be said of the Soviet Union that it would have been better placed to outperform the West if it had stopped trying to run in the same direction; that is sacrificing all other considerations in favor of economic growth. Whatever the merits of that contention for the ex-communist societies, this paper has suggested that a similar argument may hold for political economy” (p. 906). In my view, with his detailed look at homoeconomicus, concluding that its essence of self-interest cannot be defended, he may have a point; in that it may just be a matter of time before its arbitrary, pernicious and unsupportable theorizing crumbles on itself.

Section One summary. We began with discussing the common philosophical connections between homoeconomicus; also captured as economic man and the division of labor, and why these two seemingly disparate concepts were combined into a single chapter. Using Habermas’ (1968) interpretation of the thoughts of Karl Marx, we see that both originate from Marx’s very dramatic thoughts on the idea of capital. A critical diversion at this point suggested a connection between the nature of capital and social structure; using language as the key. Next the differences between classical and neoclassical economics was discussed to show that they are mostly due to the changing nature of modern man with his increasing complexity; shown later to be caused by his increased non-virtuous characteristics.

Persky (1995) then provided us with details of John Stuart Mill’s original abstraction of neoclassical homoeconomicus which asserts that it is based on four elements: wealth, luxury, leisure and procreation. Neoclassical economics was discussed with its clear connection to the

Victorian era of Great Britain, and based on the gentlemanly ethos that a ‘hand shake was a handshake’. Connecting to that and of great importance, Bowles & Gintis (1993) argued that *homoeconomicus* is in essence a function of history and used the German Historical School of thought as a means of explaining that. They argue that the complexity generated by modern man with his extensive non-virtuous characteristics, forces economists to return to Mill’s simpler political economy.

Critical views of *homoeconomicus* was provided by Sen (1977) and Marx (1973) who dissected Mill’s political economy and neoclassical thoughts with a strong denunciation of the idea of calculating rational choice by showing how shaky and easily manipulated any such calculation really is. Tsakalotos (2005) ended this section in what is, in my view, a hopeful reexamination of all these classical and neoclassical economic thoughts with the inclusion of human values.

The bottom line from section one is that *homoeconomicus*, or economic man, as an idea in and of itself, is an invented abstraction that is, and maybe has always been, something that benefits a few, but is in fact far removed from reality and thus an unreliable and quite possibly very dangerous social concept. The information gained from this section leads me to conclude that *homoeconomicus* is an unsupportable and weakly theorized concept, yet something I still refer to as one of the twin pillars of neoliberalism. The reader should not forget that it is capital that undergirds this analysis as something right beneath the surface making things happen; or as Habermas (1968) would say, ‘calls things to life’. We now turn to critically analyzing the other pillar of neoliberalism; the division of labor.

Section Two: The Division of Labor

History of the idea. I begin this section with the Hosseini (1998) article: Seeking the Roots of Adam Smith's Division of Labor in Medieval Persia. He starts his analysis of Adam's Smith's division of labor idea with an excerpt from the writings of a secret association of 10th-century CE Muslim thinkers who lived in the Lower Mesopotamian river port of Basra. They left behind a standing monument of their intellectual achievements in an encyclopedic compendium known as the Epistles of the Brethren of Purity (Ar. Rasa'il Ikhwan al-Safa) which is comprised of 52 'epistles' (Ar. rasa'il) with writings on subjects ranging from mathematics to natural science, to theology. It is worth quoting this specific epistle at length. In my view, it is thinking of the very highest order and presents a view of history that must be respected if one is to be an honest researcher.

The enterpriser addressing a Greek who had been boasting of the achievements of his people, says: "You boast most unreasonably of these sciences; for you did not discover them by your own penetration, but attained them from the scientific men among the Jews of Ptolemy's times; and some sciences you took from the Egyptians in the day of Prammetichus, and then introduced them into your own land, and now you claim to have discovered them"; the King asked the Greek philosopher: "Can it be as he says?" He replied, saying, "It is true; we obtained most of the sciences from the preceding philosophers, as others now receive them from us. Such is the way of the world for one

people to derive benefit from another”. (p. 653, quotations in original)

Hosseini (1998) also tells us that the concept of the division of labor has been known since the time of ancient Greece, particularly in the writings of Plato and Xenophon. In addition, Adam Smith’s analysis of the division of labor that was central to his analysis of economic growth had been considered before the publication of his famous *Wealth of Nations* by William Petty and other English writers during the seventeenth and eighteenth centuries. The thrust of Hosseini (1998)’s argument is that “medieval Muslim scholars in Persia, who were the most productive of medieval Muslim intellectuals, discussed the division of labor in some of its various forms” (p. 654).

My intent here is not to attempt to dislodge Adam Smith from his well-earned perch in economic history; quite the contrary. I am more than satisfied with using his brilliance as a valid starting point in history to discuss the division of labor even though there is evidence of such thinking centuries before him. Why? As the ancient Muslim thinkers strongly suggest, there can be no valid starting point that one can claim with absolute certainty of the origination of an idea. By a ‘starting point’ I take it to mean a date in history.

This connects with Garrison (2009) who argues that the origination of a phenomenon cannot be given by a date, but by those conditions that cause its arrival. Nevertheless, Adam Smith’s definition and analysis of the division of labor will be used as a foundation in this study of neoliberalism. But the thoughts of Hosseini (1998) concerning the ancient Muslim thinkers that argue all ideas stem from previous ideas, still raises a valid a question: how did Adam Smith then formulate his ideas?

Smith's potential formulations. In a very interesting speculation that appears intuitive and may indeed therefore have merit, Tipton (2001) uses thoughts from Aristotle's work: *Parts of Animals*, to argue that Adam Smith may have used the combination and division of labor seen in organs at the organismal level in the beginning formulations of his own economic theories.

According to Tipton (2001), in Aristotle's work, he claims that:

It is better when possible, that one and the same organ should not be put to dissimilar uses; that is, there should be an organ of defense which is very sharp, and another organ that to act as the tongue, which should be spongy and able to draw up nourishment. And thus whenever this is possible to employ two organs for two pieces of work without their getting in each other's way, nature provides and employs two. (pg. 52)

As an example of this rendering of Aristotle's division of labor seen in animals, Tipton (2001) describes the functionality of an elephant's trunk. He argues that "a nose has a double function as an organ of smell and respiration. In the elephant, another function is observed in its use as a hand. It can function as a hand would function because it is prehensile, a quality that is dependent on its material make up. Such a combination of labor is useful and beneficial to the elephant" (p. 53).

This is but one reason why I argue that the division of labor is far more intrinsic to our way of life and being than most could ever imagine. It is also why I connect it to the discussion on the nature and power of capital discussed earlier. In addition, the reader will soon see that this

elephant analogy sounds very much like the base assumptions fundamental to Adam Smith's work. Before proceeding further, a few words on Adam Smith the man and his environment should prove helpful.

Dilthey (1961) viewed the very lives of humans and their social intercourse with life as central to any meaning generated from historical research. With that, M. Adler (Ed.) in Smith (1952), provides a short biography of the life of Adam Smith that should therefore prove meaningful:

He was born in a small town in Scotland called Kirkcaldy, ten miles from Edinburgh in 1723. He lived to 1790. His father, a successful administrator who worked as controller of the customs, died four months before his birth leaving his mother to care for him for most of the remaining 61 years of her life. After finishing his term at the Kirkcaldy grammar school, Smith at the age of fourteen entered the University of Glasgow. The editor tells us "although his favorite studies were mathematics and natural philosophy, he came strongly under the influence of Francis Hutcheson, who, as professor of moral philosophy, taught a benevolent theory of morals which had as its end the greatest happiness for the greatest number" (p. v). The editor adds next that Smith devoted much of his studies to moral philosophy. We will see that this strong influence from Professor Hutcheson gives substance to modern critiques of Adam Smith's work where scholars to this day ponder where and how his moral bearings situate and inform his economic thinking. This important point will be addressed in more detail later in this section.

Continuing to look at Adam Smith's life through the lens of powerful influence, in 1751, Smith was called to the University of Glasgow first as a Professor of Logic and after a few months, a Professor of Moral Philosophy. I think the reader can begin to see that these diametrically diverse intellectual interests of Smith will certainly compete with each other in the

public's view for supremacy at some point. This is stated more succinctly by Myers (1983) when discussing Smith's contribution to society claimed, "I speak of Smith's use of economics to provide a definitive solution to the classic philosophical problem of private interests and the public welfare which faced the 18th century" (p. 93). I will show how Smith attacked this problem with incredibly deep insights gained from his moral understandings of the world that are imbedded in his other famous work: *Theory of Moral Sentiments*. Smith's views will be detailed and explained via lofty imaginative metaphors in Evensky (1993) when he discusses Smith's famous 'invisible hand argument' shortly.

For now, in my view, reconciling logic with morality to mass audiences with powerful personal agendas on wealth creation may prove too difficult a challenge; thus the continuing polarizing debate on his work to this day. As I hope to show, Smith actually believed quite strongly in both; but understanding that the combination is not an easy task. I will argue that this boils down to the battle of private interests versus the public good; which leads us to the very marrow of neoliberalism; hence the critical role of Adam Smith.

Of interest, the editor claims that Smith occupied these professorial positions at the University of Glasgow for twelve years and later declared that they were "by far the most useful, and therefore by far the happiest and most honorable period of his life" (p. v). During this time, his lectures centered around four categories: natural theology, ethics, jurisprudence, and those political regulations which are founded upon expediency, and which are calculated to increase the riches, the power, and the prosperity of the state. Smith had become quite a famous lecturer and thus naturally gained prominence.

However, here is where I believe the power of N-H provides a clear explanation from history. I will show that it ties into the core of this study of neoliberalism which argues that its

strength and growth is due to powerful of capitol that influences throughout history and not a result of sound theoretical formulations. The question now is how does this specific piece of history show this?

I mentioned that as a sought after lecturer, Smith became an important man of high esteem in the university as well as in the town of Glasgow. Though it was only a provincial center with only 23,000 inhabitants, the rising trade gave promise to the town's future industrial and commercial prominence. This is key. As a result of Smith's popularity, he gained many friends of its principle merchants and financiers.

It is a good time now to recall Dilthey's (1961) thoughts that things like the 'clashes of wills' between people is what gives history meaning. According to the editor, Sir James Stuart, referred to as the last of the mercantilists, also Smith's rival for favor, claimed that it was Smith who converted Glasgow's business leaders to a policy of free trade. Speaking to the Glasgow Economic Society, founded by his friend the eminent merchant Andrew Cochrane, Smith in 1755, claimed credit for the novel system of economic liberty then beginning to attract supporters.

Connecting to my argument on the power of capital and also directly in line with using N-H, in 1732, Smith gave up his university posts to accept the offer of a life time pension by Charles Townshend in return for acting as tutor to his young step-sons on an eighteen-month tour of France. Of importance, Townshend (2015) tells us that Charles Townshend "proved to be financially brilliant and determined but devoid of sound political judgment. In his last official act before his death, he obtained passage of four resolutions that threatened American colonial traditions of self-government and imposed revenue duties on a number of items necessary to the colonies" (p. 1). Without question Townshend was an ultra-conservative man of great wealth

influence that he used on Adam Smith; so much so, that he was able to, via promised financial gain, have him leave his prestigious posts at the university just to tutor his step sons. This seems to me that one may see this as a significant degradation in personal intellectual status for mere financial gain; reflecting on the power of capital.

However, we need to keep in mind that we have no way of knowing what the long term consequences are of being influenced, nor all the possible ramifications. For all we know, Smith may have himself been very influential to Townshend's two stepsons in guiding them to a more moral life while on that 18-month tour of France. Additionally, Smith may have calculated that such a very close personal relationship with a prominent conservative and wealthy person like Townshend may lead to connections with more such people who in turn could boost his stature past what would have come from his university posts. We have no way of knowing exactly what his thinking was in leaving his university positions.

From Smith's acceptance to become closely involved on a personal level to such an ultra-conservative man like Townshend, the reader may think that his initial love and abilities in moral philosophy all but disappeared in clear favor of personal economic gain. But we will see that that is not the case, and that his love for moral philosophy will resurface in a potent way. The editor tells us that after his time with Townshend ended, Smith spent the next five years in London where he lived on terms of intimacy with many of the leading figures of the day; including Gibbon, Burke and Reynolds.

In 1776, the *Wealth of Nations* was published. David Hume, in a congratulatory letter declared "Euge! Belle! dear Mr. Smith, I am much pleased with your performance" (p. vi). Within six months, the first edition was exhausted and went through five more editions during

his life. The editor tells us that Smith's work 'had considerable influence' on the budget of Lord North in 1777 & 1778.

The only other work published by Adam Smith besides revisions of his two earlier books, was his letter on the death of David Hume in 1776. This is where things get truly meaningful from a historical view and brings out the great value in Dilthey's (1961) thinking about history. "Because of its unqualified praise of Hume's moral qualities, the letter aroused a storm of controversy throughout the British Isles, and was denounced as a piece of daring effrontery" (Smith 1952, p. vi). The importance of this cannot be overstated as it illustrates the beginning of a clear and striking dichotomy between wealth creation and morals that exists so strongly in today's neoliberal world. How so? A few brief words on David Hume should serve to indicate this and why I believe it to be so important to this study of neoliberalism.

Adam Smith and David Hume. Morris & Brown (2014) generally regarded Hume as one of the most important philosophers to write in English. David Hume was also well known in his own time as an historian and essayist. According to the authors, Hume was a master stylist in any genre: his major philosophical works; *A Treatise of Human Nature* (1739–1740), the *Enquiries concerning Human Understanding* (1748) and *Concerning the Principles of Morals* (1751), as well as his posthumously published *Dialogues concerning Natural Religion* (1779), remain widely and deeply influential.

Morris & Brown (2014) argue that "although Hume's more conservative contemporaries denounced his writings as works of skepticism and atheism, his influence is evident in the moral philosophy and economic writings of his close friend Adam Smith" (p. 1). The authors also add that today, philosophers recognize Hume as an expert in philosophical naturalism, seen as a precursor of contemporary cognitive science. Additionally, his work is seen as the inspiration for

several of the most significant types of ethical theory developed in contemporary moral philosophy. It is here that the reader can see that Adam Smith's early love for the idea of morality, buttressed by the powerful moral intellect of David Hume, makes its way into history in a major way; as each clearly influenced the other. It also questions the current pejorative scholarship and debate on neoliberalism where the literature argues it to be bereft of morality.

Before proceeding to a more mechanistic and modern understanding of the division of labor itself, much more needs to be discussed on this dichotomy between wealth creation and morals. This discussion will lead us into the very core of Adam Smith's thinking in an attempt to better understand his original intent versus its modern usage that I argue intentionally warps his thinking.

To accomplish this, I will use three theorists; Evensky (1993), Bishop (1995) and Rothschild (1994) in providing very different perspectives on an absolutely critical idea in Adam Smith's thinking that is popularly known as his 'invisible hand argument'. My intent is to present all three views; then argue why I agree with both Evensky (1993) and Bishop (1995) but disagree with Rothschild (1994).

Adam Smith's Invisible Hand Argument. The reader will see that this argument may very well be the single idea that modern economists, politicians and conservative policy makers alike use to ground their firm belief in their worldview; and do so quite boldly. The ubiquitous nature of it fuels the dichotomy between private interest versus morality and the public good. It also grounds my own position as a researcher on why neoliberalism has become the dominant global phenomenon of our times. Finally, the reader will see that it fits neatly with using N-H and its narrative power will reveal through history, what I argue are true causal factors that help provide

a more satisfactory explanation of the Rise of Neoliberalism. The reader will also sense the unspoken nature and power of capital as simmering just beneath the surface.

I begin with Evensky (1993) who provides, from an economist's perspective, a very straightforward and clear definition of what this 'invisible hand' argument is all about and how it relates to the above mentioned dichotomy:

We use Adam Smith's "invisible hand" metaphor confident that we all know what it means in our discourse: it reflects our admiration for the elegant and smooth functioning of the market system as a coordinator of autonomous individual choices in an interdependent world. But in Adam Smith's moral philosophy, the invisible hand has a much broader responsibility: if individuals are to enjoy the fruits of a classical liberal society, the invisible hand must not only coordinate individuals' choices, it must shape the individuals into constructive social beings-ethical beings.

(p. 197, quotations in original)

Evensky (1993) argues that in revisiting Smith's famous metaphor, a valuable lesson is learned. The foundation of success in creating a constructive classical liberal society lies in individual's adherence to a common social ethics. But there is much more to this than meets the eye. To fully appreciate this idea of the invisible hand, and how it connects to this study of neoliberalism, we need to understand its philosophical genesis.

I will show that this invisible hand argument, especially as understood and interpreted by Evensky (1993), my first theorist, represents the precise same bedrock I laid bare in my brief autobiography explaining my own belief and faith in God and the essence of Milton's (1974) epic poem from Chapter Three.

The critique of Adam Smith's invisible hand. My first theorist, Evensky (1993), argues that Smith did not believe that philosophers are engaged in discovering truth. In his view, philosophers can only imagine what connecting principles give rise to the order we observe. I agree with this. The author next provides us with an analogy to understand what he means. Smith contrasts a philosopher's perspective on nature with that of a spectator who is awed by the wonder of the special effects at an opera. "Upon the clear discovery of a connecting chain of intermediate events, it [our wonder] vanishes altogether. Who wonders at the machinery of the opera-house who has once been admitted behind the scenes?" (p. 198). He next adds that in the wonders of nature, however, it rarely happens that we can discover so clearly this connecting chain; as we are not really admitted behind the scenes.

From this analogy, Evensky (1993), in explaining Adam Smith's thinking, argues that nature's truth lies in the machinery behind the scene while philosophy pretends to lay open the concealed connections that unite the various appearances of nature. The great philosophers are the ones who have the creativity to imagine what those 'concealed connections' might be. And Smith believed that the greatest of all philosophers was Sir Isaac Newton, whose brilliance he saw as a triumph of the imagination. Here is where it gets really interesting and beautiful; in my opinion.

Evensky (1993) now argues that Smith seeks to do for moral philosophy what Newton had done for natural philosophy. He wants to tell a story of the connecting principles of the

human order with commanding and compelling persuasive power. But, as with Newton, Smith's story does not begin with these principles. Both men take the story back to the origin of these principles, and it is here that we meet the 'invisible hand'. Newton and Smith believed that the connecting principles which give rise to the order we observe, reflect the planning and handiwork of a designer. But who is the artificer that designed and constructed this great work? "Smith and Newton both believed in the Deity as designer" (p. 199, emphasis added). This cannot be overstated; as I hope to show it as creating a dichotomy between Smith's real intentions, and the usage of his great work. In turn, I will also show how it grounds the main thrust of this study which is to provide a more satisfactory understanding of the phenomenon of neoliberalism.

Extending this argument, the author next tells us that in this classic enlightenment analogy, the Deity is to the universe as the watchmaker is to a watch. In each case, it is the hand of the designer that arranges the springs and pins and wheels, and sets the system in motion. But in both cases, that hand is invisible to the spectator who observes only the product of the effort. In our analogies, the orderly progress is that of the hands of the watch, or of the sun, the moon, and the planets. We see nothing of the designer, we see only the effects of the design. To better understand this important idea, we need a brief discussion of Adam Smith's other great work that explains his invisible hand argument in more detail.

This classic work: *The Theory of Moral Sentiments* was published in 1759, some 17 years before his *Wealth of Nations*. It is my firm opinion that in not knowing or simply disagreeing or discarding Smith's moral positions, much of the thrust of his real intent for the *Wealth of Nations* is open for significant misunderstanding and intentional warping. This is obviously a strong statement and as such, needs unpacking for clarity.

Evensky (1993) claims that in this great work on the philosophical foundations of morality, Smith had his invisible hand metaphor as center in his thinking when he published his *Wealth of Nations*. He argues that “Smith's *Wealth of Nations* is the story of those socially desirable unintended consequences of individual action that result when events are allowed to follow their ‘natural course’, the course consistent with the Deity's design” (p. 200). What does he mean? The explicit answer can be found in Smith's (1790) *The Theory of Moral Sentiments*. It is worth quoting at length:

Human society, when we contemplate it in a certain abstract and philosophical light, appears like a great, an immense machine whose regular and harmonious movements produce a thousand agreeable effects. As in any other beautiful and noble machine that was the production of human art, whatever tended to render its movements smoother and easy, would derive a beauty from this effect, and, on the contrary, whatever tended to obstruct them would displease upon that account: so virtue, which is, as it were, the fine polish to the wheels of society, necessarily pleases; while vice, like the vile rust, which makes them jar and grate upon one another, is as necessarily offensive. (p. 316)

What sublime thinking on the part of Adam Smith. I feel the utmost of confidence in arguing that with this beautifully imaginative definition of human behavior conforming to the ‘concealed movements emanating from the design of a benevolent Deity’ from Adam Smith

himself; and with the Wealth of Nations, with its division of labor, being a firm pillar of neoliberalism; something has gone terribly astray. In other words, I believe those who did not share Smith's deep moral convictions and ideas were yet intelligent enough to envision an enormous future of domination by completely segregating the wealth creation power of the division of labor from any moral bearings. Recall the discussion on the nature and power of capital where Marx referred to it as an 'animated monster'.

This also, as the reader may see, touches the very core of this study. I intentionally added the adjective benevolent to Deity because Smith (1976) argues that virtue acts as a fine polish to the gears while vice serves as a vile rust. It is precisely here that I fall back on Milton's (1974) poetic vision and Dilthey's (1961) thinking on creating meaning from history that I attempt to expose what went wrong; thus providing a more satisfactory explanation of the phenomenon known as neoliberalism. We still have a way to go and there are two more theorists who have different views on Adam Smith's invisible hand argument.

My second theorist, Rothschild (1994) takes a different view to that of Everest (1993). She begins by arguing that Smith did not particularly esteem the invisible hand but instead thought of it as an ironic but useful joke. She does however admit that his views are of a continuing and even increasing interest in modern times. She supports her position by referring to Smith's (1976) *Theory of Moral Sentiments* where Smith is describing some unpleasant rich proprietors who are quite unconcerned with humanity or justice but who in their natural selfishness and rapacity, pursue only their own insatiable desires.

She appears to substantiate her argument when she next includes that they, the rich proprietors, do however employ thousands of poor people to produce luxury commodities. The reader can clearly see that this sounds just like the core of the commonly known trickle-down

economics of today's neoliberalism; where the poor are looked at as those who should be grateful for their menial jobs and earnings, and whose only reason to give them work is to support the lifestyles of the wealthy.

Next, Rothschild (1994) still speaking about the rich proprietors, concludes that "they are led by an invisible hand to, without intending it, without knowing it, advance the interest of the society" (p. 319). This is an extraction of the thinking of Adam Smith (1976) based on, in my view, cherry-picked words to support her conclusion of what Adam Smith means by the invisible hand. On what grounds do I say this?

A more detailed inspection of Smith's (1976) work hopefully explains my position. To her credit, the words she quoted do indeed come from page 184 in Smith (1976) as she indicated; but in her own summary form; which I admit she is entitled to. However, she does not bother to include what Smith actually says about the invisible hand on the next page that will show why I so strongly disagree with her conclusions. It is lengthy, but a very necessary insertion that will, at the same time, address the very heart of what this study hopes to expose about neoliberalism; especially its intellectual foundations. I will argue in this study that neoliberalism's intellectual foundation may be the result of an intentional misuse of some moral thoughts of Adam Smith and others; grounded on their belief of a benign Deity as the designer that controls everything; something neoliberals cannot and will never accept, in my opinion.

Remember Smith (1976), here discussing his invisible hand argument, is talking about those same rich proprietors as Rothschild (1994) and their unintended helping of society; despite their selfishness and rapaciousness:

They are led by an invisible hand to make nearly the same distribution of the necessities of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and this without intending it, without knowing it, advance the interest of the society, and afford means to the multiplication of the species. When Providence divided the earth among a few lordly masters, it neither forgot nor abandoned those who seemed to have been left out in the partition. These last too enjoy their share of all it produces. In what constitutes the real happiness of human life, they are in no respect inferior to those who would seem so much above them. In ease of body and peace of mind all the different ranks of life are nearly upon a level, and the beggar, who suns himself by the side of the highway, possesses that security that kings are fighting for. (pg. 185)

This is immensely powerful and holistic thinking. It shows Adam Smith, 17 years prior to his *Wealth of Nations*, displaying a supremely deep understanding of his moral view of the world based on the common thinking of himself and Sir Isaac Newton. In addition, David Hume's strong and close friendship with Adam Smith is verified here. Furthermore, and this is critical, it shows his incredible foresight into the genesis and foundation of stratification theory, the natural consequence of the division of labor that I will be discussing shortly.

Recall that Adam Smith came strongly under the influence of Francis Hutcheson, who, as professor of moral philosophy, taught a benevolent theory of morals which had as its end the greatest happiness for the greatest number. Also recall that at the University of Glasgow, he was a Professor of Logic and a Professor of Moral Philosophy and that I argued that reconciling both logic and morality to mass audiences with their own agendas for wealth creation prove too difficult a challenge; generating the continuing polarizing debate on his work.

I present now a very short personal narrative that will aid in further unpacking the above quote by Smith especially, when he said ‘In what constitutes the real happiness of human life, they are in no respect inferior to those who would seem so much above them’. He is of course referring to ‘those on the lower level of life’:

This unpacking comes from a lesson I learned when I was a manager of large departments in the private sector. One of my areas consisted of about 100 employees who worked on machines that encoded financial data on the bottom of checks so they could be read and digitally stored by larger high speed machines downstream. As many managers do, I was always on the lookout for people I could promote to supervisory and management positions from the lower ranks; something I felt great doing. In this one case, there was a woman who was by far the most stellar machine operator I had ever seen with exemplary work habits and a warm smile to everyone each and every day without fail. She worked on that same machine for many years. Everyone liked her. She was clearly a prime candidate for promotion.

I recall meeting with her one day in my office and told her how much I appreciated the work she did for the bank. I asked her if she would be interested in being promoted. Understand that each and every time I was able to promote someone, they were usually ecstatic about ‘moving up’. However, in this case, without the slightest hesitation, she very warmly, and with

her usual smile, told me no. I told her that she may wish to reconsider because I could not pay her any more than what she was already making as she had hit the limits of the pay scale for a machine operator. Once again, with a warm smile she responded; ‘no thank-you’. What does this have to do with Adam Smith’s quote?

When Smith said ‘in what constitutes the real happiness of human life, they are in no respect inferior to those who would seem so much above them and ease of body and peace of mind all the different ranks of life’; I see this woman as clear as day. Adam Smith (1976), in his philosophical brilliance on morality, understood what I believe many are not willing to admit of, nor may not understand fully; i.e. life’s natural human stratification as Divine Providence. This is a very difficult topic to broach because it is fraught with significant emotional land mines; but one I will discuss in a follow-up in Chapter Eight, the final chapter.

For now, I argue that Smith had a vision, based on his moral philosophy, that his *Wealth of Nations* could produce a Divine Inspired society with ‘virtue, as it were, the fine polish to the wheels of society’ and not the ‘vile rust, which makes them jar and grate upon one another’, as we see in today’s neoliberal society; in my opinion.

I see the position of Rothschild (1994) as one where she disregards for those on the lower levels of society, whom she appears to view as there only to support the rich in their insatiable desire to accumulate wealth, claiming that in the process, they are helping society, via Smith’s invisible hand argument, as the ‘vile rust’ Smith speaks about in his *Theory of Moral Sentiments*.

Ironically, I do find myself in agreement with her on one point. She winds down her analysis by arguing that the difficulty which is at the heart of Smith’s use of the invisible hand in his *Wealth of Nations*, is that of distinguishing between licit and illicit expressions of self-

interested agents in a society in which the norms governing such distinctions are rapidly changing. She is right. She ends by saying that she “predicts that the invisible hand will loom much less large in the next century than it has in the 20th century” (p. 322). I completely agree with her but argue that that is exactly the problem.

My third theorist debating Smith’s invisible hand argument is Bishop (1995) who begins by going directly to the heart of my point. “It is common practice in the business world today to justify pursuing profits and self-interest by quoting Adam Smith's invisible hand argument. Pursuit of one's own interests is morally justified, it is said, because the invisible hand of the market place will ensure that this will result in the general good of society” (p. 165). Bishop (1995) claims that an empirical study of the ethical thinking of sixty top managers found that the majority explicitly or implicitly rely on the 'invisible hand' of the market. He next poses the questions: what did Smith really say about the invisible hand and what did he say about the morality of self- interest? He mentions here that Smith was a moral philosopher by profession and that his writings deal with ethics as much as economics; a major point that somehow, in my view, seems to have escaped Rothschild (1994).

I mentioned earlier that in my view, Smith’s diametrically opposing intellectual interests, i.e., logic and morality, would prove very difficult to reconcile to mass audiences with strong personal agendas of wealth creation and that they would wind up competing with each other in the public’s eye. In support of this, Bishop (1995) argues that “there are numerous passages in *The Wealth of Nations* in which Smith directly states that the interests of business people, merchants and manufacturers as he calls them, are in fundamental conflict with the interests of society as a whole, and that business people pursue their personal goals at the expense of the public good” (p. 165). He claims that some of these passages seem blatantly to contradict the

invisible hand argument and questions: is Smith guilty of major contradictions? He next appears to defend Smith.

His argument claims, and this is important, that “first, we can safely say that Smith was aware of the possibility of using the invisible hand to justify self-interest; it was a topic of the moral writers of his day often addressed in the context of criticizing Bernard Mandeville” (p. 168). In explaining this, he tells us that in the *Fable of the Bees*, first published in 1714, Mandeville had argued that the personal vices of greed, avarice, envy, etc. were public virtues in that they led people to the kind of activities that drove all thriving economies. This specific naming of human vices as public virtues by Mandeville should not be underestimated. It suggests that many have felt that way for a very long time.

In my view, this position should not to be taken lightly. Supporting this, plus my argument that claims that Smith’s work was intentionally bastardized, the author says that “in so far as modern business people use the invisible hand argument to show that the pursuit and flaunting of personal wealth should not be viewed as a vice (or sin), they are referring to a form of the argument which originates with Mandeville, not Smith” (p. 168). This position, in my view, is an attempt to theoretically ground what is commonly referred to as ‘trickle-down economics’. It argues that by ensuring that the environment is such that it satisfies the desires for rich to get richer first, the effects of that will benefit everyone else via a sort of gravitational trickle-down effect.

Also, Bishop (1995) stated “in conclusion, Smith did not morally justify self-interest by using the invisible hand argument, although he was familiar with Mandeville's view that the private vice of luxury could be a public benefit” (p. 169). (Note how this ties into Mill’s political economy where one of his four elements included luxury) Instead, he argues that Smith based his

belief in the moral neutrality of self-interest on its consistency with natural liberty, a concept which he derived from the natural law tradition; natural law here referring back to his 'Deity as designer' analogy in his Theory of Moral Sentiments.

Bishop (1995) brings Smith's invisible hand metaphor into current neoliberal times in a very straightforward manner that speaks directly to modern corporate leaders:

A deliberate amorality in the executive suite is encouraged in the name of systemic morality: the common good is best served when each of us and our economic institutions pursue not the common good or moral purpose, advocates say, but competitive advantage. Morality, responsibility, and conscience reside in the invisible hand of the free market system, not in the hands of the organizations within the system, much less the managers within the organizations. (p. 169, emphasis added)

This is a perfect rendering of the mindset of the corporate elite in our country today that explains much. How so? I remember in the heat of the economic downturn that nearly collapsed our economy shortly after the election of President Obama, many of the corporate leaders of our giant financial organizations converged on Washington seeking a financial bailout of tens of billions to keep them afloat. The public was aghast at their seemingly massive arrogance to arrive for a life-saving hand-out in their private corporate jets when so many millions of Americans were seriously suffering from what many viewed as their reckless financial decision making. Where did they get such gall? Bishop (1995) has just provided us with a possible

explanation with how they saw themselves within the larger picture: they were doing good for society.

Bishop (1995) concludes his argument claiming “many people currently use Smith's invisible hand argument to morally justify greed, avarice, and the unbridled pursuit of money” (p. 173). He then asks: can Smith be used in this fashion? Unfortunately, the answer to that question is highly technical; dealing with the differences between maximizing total revenue in the economy and something called Pareto optimality; which looks at grossly unequal distributions and sub-maximum total revenue; putting the discussion past the scope of this study.

Intentionally bypassing the technical explanation of the use of Smith's invisible hand argument in today's environment, I find myself enthusiastically supporting Bishop (1995) as he concludes his article:

But the nature of this argument must be noted closely; it applies only to economic activities such as investing capital. It does not apply to the pursuit of self-interest in general, or to the pursuit of self-interest in any area outside of economic activities. Smith thought the general pursuit of self-interest by business people in particular was in fundamental conflict with the public good, and he thought that if business people successfully pursued their interests in other areas, the results would be disastrous. In particular, if business people pursued their self-interest in the political arena, they would only seek the overthrow of the free market system for their own benefit and everyone else's loss. Smith had nothing but

contempt for a nation governed by shopkeepers. (pg. 177,
emphasis added)

Recall my statement earlier that the reader will sense the ‘power of capital simmering beneath the surface’ in this discussion on Smith’s invisible hand argument. With this, Bishop (1995), in my view, has really pinpointed precisely the most warped and malicious manifestation of the invisible hand argument that we see today; the use of business people extending their self-interests into the arena of politics; themselves deeply believing that they are justified in doing so.

Without question, the literature has shown that this force, the power of global corporations, fuels neoliberalism’s global dominance. Recall from Chapter Two where Forest & Hirayama (2009) argued that “neoliberalism has dominated policy discourse, policy formulation and policy implementation” (p. 998) and Ong (2007) who said that neoliberalism is a “capitalist machinery that is structuring a new planetary geography” (p. 3). It gives seemingly unlimited financial and political power to corporate leaders and renders many intelligent people, again in my view, to see current neoliberal times as hopeless and possibly irreversible. Recall Margaret Thatcher’s famous argument TINA; an acronym for: ‘there is no alternative’.

In summarizing the three critiques of Smith’s invisible hand argument, I agree with Evensky (1993) and Bishop (1995) mainly because they clearly insist on including Smith’s moral thinking as grounding his economic texts. Rothschild (1994) on the other hand, uses Smith’s thinking to endorse and rationalize current trickle-down economics that argues the primacy of the rich getting richer being good for society.

It is now time to discuss some of the fundamental manifestations of the division of labor and how it actually works in modern times. We will see that it boils down to the creation of

wealth and how that is accomplished. After this, we will connect this thinking to theories of social stratification that the reader will see appears to be a natural consequence of the division of labor. This is yet another manifestation of the power of capital.

Adam Smith's Division of Labor and the Creation of Wealth. I begin with a basic definition from Adam Smith (1952): “The greatest improvements in the productive powers of labor, and the greater part of the skill, dexterity, and judgment with which it is anywhere directed, or applied, seem to have been the effects of the division of labor” (p. 3). The operative words here are the ‘productive powers of labor’ meaning that in its simplest case, given the same amount of time, two or more people will create more output using the division of labor than if they had not. This still needs to be broken down for a fuller understanding. Over the next several paragraphs, I will use simple commonly known visualizations and short narratives in an effort to better explain the division of labor as an idea in modern times.

Examples of the division of labor. As the first example, during the warm weather months, every Thursday there’s a farmer’s market right across the street from where I live and where I stop by each vendor to see if there is anything I need to purchase. This one specific vendor sells homemade pies of various varieties; from apple to peach to cherry, etc. I fell in love with the strawberry- rhubarb crumb. Every week I stopped by his stand and bought one. Since he was always a very affable fellow, one day I stopped by his stand and told him how much I loved his pies and looked forward to buying one each week. He responded: thank you very much; that was nice of you to say.... but, and here’s the important point of this; he told me; I only make the crusts. He pointed to a woman vendor a few booths down selling vegetables and said that she makes all the fillings, and to another one who does the baking. This is the division of labor.

It is not hard for the reader to imagine that these farmers are not getting rich in what they do; and that they need to devise ways of making as much money on their efforts as possible to stay afloat. This is what Adam Smith means by the productive power of labor in his definition.

Let us assume that they sell ten varieties of pies with various crusts. Just try to imagine if one farmer was responsible for making each different type of pie from scratch i.e., making the crust, the filling, baking it, packaging it and selling it along with other products like string beans and potatoes. It will be easy to see that their output would be far lower. Furthermore, their profits, knowing that they can only raise their prices but so much before people stop buying, will be also be far lower; possibly putting them out of business.

For the second example; let's take a quick look into my own family life when I was very young. There were three of us kids and our parents posted our chores for the week on the refrigerator in the kitchen. On any week you may have seen that Dennis had to wash the dishes, Claudia had to dry them and put them away and Brian had to clean the tables, sweep the floors and take out the garbage. Again, imagine if only one of us were responsible for everything. The other two would be free to play and to do other things while one was tied up doing all the chores. This would have created animosity and tension among the kids for sure; with my parents continually settling heated disputes. This too, is the division of labor. I am confident that the reader can look into his or her own family everyday life and see examples of the division of labor at work.

For our third example, and one that really demonstrates the power of the division of labor, let us visualize ourselves in a modern fast food restaurant. We look on the menu and decide to order a #4 which consists of a hamburger, fries, a cookie and a drink. When we observe our order being produced, we see several different hands in the process; one person is working a

machine that prepares burgers; another is working the machine that fries the potatoes, while one is working the oven that bakes the cookies and yet another works a machine that pours drinks. Still yet, we see one person that combines the orders, takes our cash and serves it to us; all the while someone, usually in a tie, seems to be supervising the entire operation. I argue that the reader cannot even imagine any other way of doing this on a large scale other than by use of this division of labor. In this case, it is so powerful that it has created global giants out of these organizations.

For my final example of the division of labor, I turn to a highly sophisticated technical environment. I recall a two-day seminar I attended many years ago at MIT on ‘managing highly technical teams’. I was witness to an unbelievable level of sophistication of this idea of the division of labor that may be hard for some to imagine. On the first night, they randomly selected four attendees to go out to dinner together as a networking and communications exercise. My group included me plus three real NASA rocket scientists. Two mentioned that they were from India and I believe from an Asian country; and me. As we started introducing ourselves over dinner, no one knew anyone else. It was then when we realized that we had three NASA employees (all PhD’s) among us and me; a senior Banking operations manager. What shocked me to this day is that as each scientist began to discuss their occupation, none had much of a clue about what the other one’s were doing! If I recall correctly, one was in propulsion, one was in materials and I believe the third was in wing design. Each clearly did their thing not knowing what the other two were involved in.... all working for the same company. This too, is the division of labor. This is what Adam Smith meant in his definition when he said ‘anywhere directed or applied’.

The reader can see in all examples, this same idea of the division of labor in use. I also believe that the reader will be hard pressed to even imagine any other way of accomplishing the end tasks in each case. To conclude this section, a much needed discussion on a major impact that the division of labor has on society is required. To start, recall the discussion on the nature and power of capital and especially how it ‘calls things to life’.

The Division of Labor and Social Stratification. While not novel, Adam Smith’s brilliant use of this idea was much more than simply a statement about economics and creating wealth. I argue that it simultaneously created, as a natural consequence of its own essence, the stratifying of society that we see today. In simpler terms, the very idea of wealth creation via the division of labor creates a means for its own continuance via a social structure to support it. What do I mean by this?

Let us return to our fast food example above for an illustration. I argue that what we witnessed, while waiting for our order, is a microcosm of the social stratification the division of labor creates in our society. Supervisors often wear ties while other workers do not for example. It also becomes evident from this same observation that different skills are needed which in turn creates different levels of compensation, which in turn creates different levels of lifestyles. It also is obvious from this same example to us that we need far more workers on the lower levels i.e., making burgers, fries, pouring drinks, etc. than we need supervisors. Try to image any fast food organization with many higher paid supervisors than low paid workers. I argue that such a vision would appear oxymoronic to the reader. In any event, this simple example will suffice to introduce ourselves to stratification theory; as the reader can see an intuitive connection to the division of labor to get us started.

Runciman (1974) argues that “the study of stratification has been claimed to be the central question of sociology in much the same way that kinship has been claimed to be the central question of anthropology” (p. 55). Stratification, according to him, is a cultural universal. He adds that a task of a theory of stratification is to describe, classify, and ultimately explain this aspect of social organization over the whole range of known and documented cases. Here is where he gets really meaningful for our purposes.

Runciman (1974) argues that stratification exists in a ranking of three separate dimensions; economic, social and political. Interestingly, he seems to wonder whether or not it is necessary to use these three ‘dimensions’ or whether all three should be subsumed under the heading of power. “Since the three are always connected in practice, there is no need to indulge in abstract speculation about whether a society is conceivable in which they would be quite separately explicable” (p. 57). This clearly connects to our fast food example where we observed the connection between economic and social factors, i.e., the person who makes burgers lives differently from the person who supervises because of the income differentials of their respective positions in the company.

Getting more detailed about theory building for social stratification, Runciman (1974) argues that “any system of stratification requires not simply a specification of the relative positions of all persons within it at some point in time, but also an account of the mechanisms which determine their position over the course of their lives” (p. 58) He next claims that therefore, each person should be assigned a place in ‘stratification space’ from an initial position of parental or quasi-parental origin. In response to this, I argue that the division of labor is such a mechanism; as it has shown to exist from basic family household functions to ultra-complex industrial organizations like NASA.

In a final very interesting observation and view that relates strongly to this study of neoliberalism, and especially its future, Runciman (1974) says “it is a perfectly reasonable request to put to the stratification theorist that he should be capable of specifying the conditions under which inequalities of economic, social or political privilege will be set to a minimum” (p. 81). Keep in mind that this was written in 1974; just a few years prior to the real explosive growth in neoliberalism. His answer appears to be one of hopelessness. Why?

He responds to this very provocative and highly relevant query by arguing that the overwhelming plausible answer, however, is that such a near-egalitarianism is attainable only in small pre- or non-industrial societies. He says that this condition seems to be a necessary one “and it follows from this that for societies to evolve in such a direction, they would somehow have to reverse what for the moment is not merely an immensely powerful but also a world-wide trend” (p. 81). This, in my view is both absolutely correct and at the same time, as ominous as it gets. The literature review, sadly, wholly supports his gloomy conclusions.

Next I provide further current relevancy to the division of labor-stratification theory combination, and its connection to this study of neoliberalism; especially as it impacts minorities. To accomplish this, I add an additional perspective from Wiley (1967) where he discusses what he refers to as the mobility trap. The author argues that “the mobility chances of ethnic group members are often subject to special complications, not only because of discrimination, but because of features within the ethnic structure itself; for the group is usually internally stratified to some degree. This duality of intra versus extra-group mobility is further complicated if the group is moving upward as a bloc” (p. 147).

He then goes on to extend this idea by claiming that the individual ethnic may have to make special decisions concerning his career plans. Not only must he choose, for example,

whether to aim for a job in the professions, a bureaucracy, or small business but he also faces the question of ethnicity; whether to move with it or against it, to capitalize on it or disregard it. As an African American myself, I can attest to these thoughts as being quite real and meaningful. Wiley (1967) next adds that “if he makes the wrong decision, he may find himself in a mobility trap, and these exist in abundance in all fluid stratification systems” (p. 148). The obvious question is: what exactly is a mobility trap?

In sounding like a form of meritocracy theory, Wiley (1967) provides this important and practical understanding of a mobility trap that the reader should be able to visualize:

To give a clearer definition of the mobility trap it will be necessary to sketch the picture of the opportunity structure which it assumes. Such pictures are usually related to some simple metaphor, and much of the theorizing in this area is influenced, perhaps unconsciously, by half-hidden metaphors. Before giving our own, mention will be made of two others in relation to which ours can be more clearly seen. Perhaps the most common metaphor is that of the ‘social ladder’, or the ‘ladder of success’. (p. 148, quotations in original text)

Wiley (1967) further argues that within this framework of a mobility trap, social strata are visualized in a continuous hierarchical line; that is, the ladder is a straight one and no rungs are missing. Secondly, it can be climbed, and the means of climbing are the same at all levels. It is implicit that ability and hard work determine one's place on the ladder. “This optimistic picture is favored by people who are themselves in the upper strata and feel a bit guilty about being there” (p. 148). First, with this clarity from the author, the reader can see why I referred to the mobility trap as some form of meritocracy theory.

Following this thinking that addresses economic movement for ethnics, Watson & Barth (1964) support Wiley (1967) when they discuss what they see as the two general building blocks to a general theory of stratification: the family as a unit of equivalent evaluation, and the utility of occupation as a basis for class placement. For our purposes, I will use the latter. They claim “some sociologists postulate that it is the occupational position which is ranked, while others assert that occupation is the best ‘index’ of placement within the prestige hierarchy. Whatever the argument, there seems to be an almost unanimous agreement that occupation is an extremely important determinant of class placement” (p. 12).

Watson & Barth (1964) support this by claiming “few studies of class omit a reference to occupation and most of them incorporate occupational measures into the research design. In short, occupation and occupational prestige have become symbols of class, not only in the scientific but in the popular mind as well” (p. 12). This provides a further connection between the division of labor and social stratification theory.

For my final connection between the division of labor and social stratification, I turn to Rothbard (1991) who does not use the actual terms social stratification in this brilliant work but instead addresses the essence of the division of labor as a fundamental dividing force of nature prior to examining the results of such division. This clearly closely connects to the discussion on the nature of capital. He analyzes the division of labor through the movement of time while referencing Adam Smith. What do I mean here?

Rothbard (1991) argues that “while a continuing and advancing division of labor is needed for a developed economy and society, the extent of such development at any given time limits the degree of specialization that any given economy can have” (p. 227). As examples, he argues that there is no room for a physicist or a computer engineer on a primitive island, as these

skills would be premature in those contexts. He next claims that Adam Smith argued that the division of labor is limited by the extent of the market. He explains this by telling us that economic and social development are mutually reinforcing processes: the development of the market permits a wider division of labor, which in turn enables a further extension of the market. Here is where he makes a powerful and in my view, a brilliant connection from the division of labor to the genesis of social stratification theory without using the term itself:

If the scope of the market and the extent of the division of labor are mutually reinforcing, so too are the division of labor and the diversity of individual interests and abilities among men. For just as an ever greater division of labor is needed to give full scope to the abilities and powers of each individual, so does the existence of that very division depend upon the innate diversity of men. For there would be no scope at all for a division of labor if every person were uniform and interchangeable. (p. 227) The reader can see that he is clearly speaking about social stratification being the result of the division of labor in this quote.

As a result of Rothbard's (1991) unveiling the mutually reinforcing natures of the division of labor and the naturally diverse abilities of man, this connects, in my view, to Adam Smith's 'Divine Providence' of people created and placed in different strata of society; which in turn gives society as a whole a means to prosper. Recall Smith (1976) explaining his invisible hand argument said:

They are led by an invisible hand to make nearly the same distribution of the necessities of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and this without intending it, without knowing it, advance the interest of the society, and

afford means to the multiplication of the species. When Providence divided the earth among a few lordly masters, it neither forgot nor abandoned those who seemed to have been left out in the partition. (p. 185)

I argue that any society can prosper and last only with this fundamental ‘Providential Structure’ of people in ‘unequal’ differential social strata because of their differing natural abilities. I recognize that this needs further clarification. I believe this to be an inescapable truth; though many refuse to accept this and see it instead as an oppressive idea. It is not; in my view. I further argue that forcing equality of all people will certainly lead to doom as that would in essence attempt to disregard that same ‘Divine Providence’ Adam Smith spoke of. As started earlier, this is a highly provocative and very sensitive idea filled with significant land mines because it of its innate connections to highly combustible human emotions and many other reasons. Nevertheless, it must be addressed as part of this study and I will do so at least on a cursory level, in Chapter Eight, the final chapter.

Section Two Summary. I began with my rationale for using Adam Smith as a central figure in this study of neoliberalism with his division of labor idea; even though there is evidence of such thinking many years before him. Next, a brief biography of Smith’s life was presented to give the reader an initial sense of those people and ideas that greatly influenced him. His clear moral compass was explained via his connection to David Hume as an example of such influence.

The thrust of this section and also that of this study, centered on Smith’s famous invisible hand argument. In my view, this argument was founded on his moral understanding of the world detailed in his Theory of Moral Sentiments and that that was also the basis for his writing the

Wealth of Nations some 17 years later; where he introduces the idea of the division of labor. It was shown that Smith attempted to address the philosophical problem of the 18th century of self-interest versus morality; alternatively viewed as the problem of self-interest versus the public good.

A critical analysis of Smith's position on this problem was given by three theorists representing three different interpretations of Smith's thinking. I made my position clear by agreeing with two of the three. I also posited that this invisible hand argument struck at the very heart of neoliberalism.

Next, several examples of what the division of labor really means in modern times were presented using analogies and narratives. The critically important connection between the division of labor and stratification theory was introduced to show that their symbiotic and mutually reinforcing natures connect to Adam Smith's invisible hand argument. In addition, how stratification theory impacts ethnic minorities was shown to be similar to meritocracy theory and that both are connected to the division of labor. Finally, once again the reader can see how the nature of capital simmers beneath the surface of this second section. A brief summary of this chapter is next.

Chapter Conclusion

An analysis on the nature and power of capital was detailed in the beginning of this chapter with the objective bolstering the current scholarship on neoliberalism. The chapter was then structured with two sections each critically analyzing homoeconomicus and the division of labor separately.

The next two chapters will, like much of this current chapter, be based on historical narrative as a means of creating understanding. The power of capital, once again, will be seen clearly as a creative force beneath the surface in the explanatory narratives. As a helpful preview of Chapters Five, Six and Seven, I refer to their combined discussions as the ‘path of neoliberalism from idea to dominant global phenomenon’; or the body of this study. I will suggest that the reader visualize this path as ‘building a bomb then lighting the fuse’. Such a visualization along with the power of capital as creative force, should prove helpful as a means to better understand how we got to where we are today and why.

Chapter Five

The University of Chicago: From Inception to World War II

Introduction

This chapter, and the next two, continue with the underlying theme stemming from the discussion on the nature and power of capital; this time with an emphasis on the how it actually works in social situations. For lack of a more sophisticated term, the reader can see these next three chapters as the ‘meat and potatoes’ of this study as they, via narrative, directly address the title: The Rise of Neoliberalism.

Chapter Four suggested that upon close examination, the two fundamental ideas upon which neoliberalism rests, *homo economicus* and the division of labor, have both shown to be at best problematic and at worse, an intentional misuse and misrepresentation of the moral ideas of John Stuart Mill and Adam Smith. Nevertheless, if even these suggestions are true, there is ample support from the literature that neoliberalism has morphed into an unparalleled phenomenon of global dominance regardless of its possible lack of theoretical and ethical soundness.

Recall a few of the quotes from many different authors about what neoliberalism is from their perspectives in Chapter Two: Peck & Tickell (2002) stated that “it seems to be everywhere” (p. 380); Chopra (2003) calls neoliberalism “a global social science able to explain all rational conduct, or even simply all behavior” (p. 422); Ong (2007) said that neoliberalism is a “capitalist machinery that is structuring a new planetary geography” (p. 3), and finally Brenner & Theodore (2002) called neoliberalism “a utopia of unlimited exploitation” (p. 350); just to quote a few.

The obvious question is: how could any phenomenon possibly grounded on problematic theoretical foundations and with descriptors like these from so many different authors, have grown into such global dominance? The purpose of this chapter, then, and that of Chapter Six, is to attempt to answer this question. We will see that, as discussed in Chapter Four, it is the power of capital that is being argued as a possible root cause in the rise of this phenomenon of neoliberalism.

Chapter highlights. Leaning on N-H, this chapter will present a narrative on the importance of the idea of capital to this study by providing a history of the University of Chicago from its inception until the end of World War II. We will see that it was capital, provided by John D. Rockefeller, that, referencing Chapter Four, called to life this unique institution and that a prior University of Chicago went bankrupt; further illuminating the importance and power of capital. The reader will see that it is the University of Chicago that is given credit as the birthplace of neoliberalism.

The chapter focus will be on the birth, growth and especially the thinking at the school. The reader will see that this is indeed a unique institution whose intentionally engineered environment ‘birthed the spirit’ of neoliberalism. Of equal importance, it will provide the reader with what I believe is the necessary philosophical and historical background needed for a more complete understanding of Chapter Six. Here, the discussion on the nature and power of capital should yield very significant fruit.

This chapter will present the history of the University of Chicago with an emphasis on what is termed the Chicago Tradition; a uniquely hard-nosed conservative view of economic thinking popularly tied to the university. The intent is to give the reader a detailed understanding of specifically how the idea for the eventual development of neoliberalism started, in my view,

as a battle of opposing philosophies beginning in the 1930's. This chapter will have a focus on the environment that supported and nurtured this combative thinking.

I begin this chapter contextualized right here in Chicago at the University of Chicago; circa 1930's and 1940's. To get us started, Johan Van Overtveldt (2007) from his book: *The Chicago School: How the University of Chicago Assembled the Thinkers Who Revolutionized Economics and Business* will present a history of the Chicago School that will focus on those prominent people that built the 'school' from its early days. I should note that I use the term 'school' in this study more in the sense of a specific definable thinking tied to the university as opposed to an internally structured part like a department.

The author begins by giving solid reasons for the unique fame and power of the School of Economics as a prelude to the rest of the chapter. Of critical relevance to this study, Overtveldt (2007) will present an initial analysis of what is now famously referred to as the 'Chicago Tradition'. With this, a better understanding of the intellectual origins of neoliberal thinking, that I believe may be often misunderstood, and at great social costs, will be brought to light.

Included in this historical narrative and discussion on the University of Chicago, will be Murphy & Bruckner (1976) from their book: *The idea of the University of Chicago: Selections from the Papers of the First Eight Chief Executives of the University of Chicago from 1891 to 1975*. We will read segments from the convocations of a selected few early presidents of the university that should help our understanding the uniqueness of this institution.

Following this, Stapleford (2011) will present a discussion on the social and economic climate during the interwar period and after the end of World War II that will be included to help in

understanding what exacerbated the soon to be discussed ‘battle of worldviews’ at the University of Chicago, School of Economics.

In addition, to enhance the understanding of this ‘battle’ and to further appreciate its richness of thought, integrated into this first section will be an important diversion on the nature of institutionalism; also captured as institutional economics. It represents, unfortunately in my view, the losing side of the battle. Featured in this diversion will be Philip Mirowski (1991) (Carl Koch Chair of economics and the history and philosophy of science at Notre Dame University), along with Geoffrey M. Hodgson (2004) (research professor in Business Studies at the University of Hertfordshire, U. K.) as primary authors. They both argue that institutionalism is grounded in the philosophy of pragmatism; a critically important point in this study of neoliberalism that will be discussed in Chapter Eight, the final chapter.

This chapter will bring us up to the end of World War II where a climate that the reader will see invigorated classical conservatives at the School of Economics to push harder for their worldviews at the school and beyond. The ending discussion will present a brief summary of this chapter that segues us to Chapter Six entitled: The postwar University of Chicago School of Economics and the Birth of Neoliberalism’.

The Uniqueness of the University of Chicago

Dominance from the beginning. Van Overtveldt (2007) begins by arguing that “it is an understatement to say that economists working at the University of Chicago played an important role in the development of economics as a science during the 20th century” (p. 1). He bases this statement on the way the university dominated the Nobel Prize in Economics. He goes so far to say that one is forced to conclude that Chicago is both a ‘Mecca and a Rome’ for economic

science. Statistically, since 1969 when the Nobel Prize was first established, of the 58 laureates in economics, 9 were primarily from the University of Chicago. These included Milton Friedman, Theodore W. Shultz, George Stigler, Merton Miller, Ronald Coase, Gary Becker, Robert Fogel, Robert Lucas Jr, and James Heckman. This amounts to more than double the amount of wins of the number two and three schools; Harvard University and the University of California at Berkeley.

Van Overtveldt (2007) asserts that since the last decade of the 19th century, economics at the University of Chicago was different from that which was taught and practiced at other centers of economic research in the country. According to him, it was James L. Laughlin, the first chairman of the department of political economy that made this difference. He adhered rigidly to the orthodox version of classical economics and did not allow much deviation from this orthodoxy. From his leadership, the economics department of the University of Chicago became isolated and known initially as a “center of doctrinal orthodoxy and extreme conservatism in matters of policy” (p 3).

After a few years, despite his myopic vision, Laughlin assembled a diversified faculty where the efforts of such scholars as Wesley Mitchell, Leon C. Marshall, John M. Clark and Jacob Viner, developed the department into one that was much less isolated. Even with this change, Van Overtveldt (2007) claims that until the 1930’s one could not refer to a so-called Chicago School of Economics. Before that time, the Chicago department would have been considered simply an extraordinarily strong part of mainstream economics. The author next mentions that British economist A. W. Coats argues that “beginning in the 1960’s echoes of the past sometimes linger on, and it is conceivable that traces of Chicago’s early reputation as a center of economic conservatism have survived until recent times” (p. 4).

In continuing to discuss the growing reputation of the University of Chicago as a center of economics thinking distinguishable from the rest, Van Overtveldt (2007) mentions that Henry Simons, a very prominent economist who will be discussed later, slowly established himself as the head of a Chicago ‘school’ at the University. In an important and revealing letter by Jacob Viner, (Canadian economist considered along with Frank Knight and Henry Simons to be one of the ‘inspiring’ mentors of the early Chicago School of Economics in the 1930’s) to Don Patinkin, (an Israeli-American monetary economist who did his undergraduate study at the University of Chicago and became president of the Hebrew University in Jerusalem), Jacob wrote:

It was not until I left Chicago in 1946 that I began to hear rumors about a ‘Chicago School’ which was engaged in organized battle for laissez-faire and the ‘quantity theory of money’ and against ‘imperfect competition’ theorizing and Keynesianism, that I was willing to consider the existence of a ‘Chicago School’. (p. 4)

The reader will soon see that this organized battle quote from Jacob Viner to Don Patinkin represents the very core of this chapter and is a critical line of thought for this entire study of the Rise of Neoliberalism.

Continuing with the growth in reputation of a ‘Chicago School’ Van Overtveldt (2007) tells us that from the late 1950’s forward, references became more commonplace. For example, in 1957, Edward Chamberlin of Harvard referred to the Chicago School of Anti-Monopolist Competition which was a rejection of his landmark book: *The Theory of Monopolistic Competition*, first published in 1933. It is believed that the first mention of the term ‘Chicago School’ was found in a paper on the history of economic thought in 1971. Van Overtveldt (2007)

argues that Spiegel (1971) referred to the ‘Chicago School’ in the context of its outright rejection of Chamberlin’s theory just mentioned. In this paper, Spiegel notes the following: “conservative leanings both in politics and in matters of doctrine members of the Chicago School...Libertarians all, they preferred rules to authorities and the impersonal forces of the market and they viewed with alarm the increasing scope of government activities in the economic sphere” (Van Overtveldt, 2007, p. 6).

Van Overtveldt (2007) now claims that a few years later in 1974, internationally famed economist Milton Friedman describes what the term ‘Chicago School’ means to him. It is worth quoting at length as it introduces a few core ideas that will be necessary for understanding the rest of the chapter. It will also explain in more depth, the real meaning of the letter from Jacob Viner to Don Patinkin mentioned above. It will be followed by a short recap for clarification of terms and their importance in this study:

In discussions of economic science, ‘Chicago’ stands for an approach that takes seriously the use of economic theory as a tool for analyzing a startlingly wide range of concrete problems, rather than as an abstract mathematical structure of great beauty but little power; for an approach that insists on empirical testing of theoretical generalizations and that rejects alike facts without theory and theory without facts. In discussions of economic policy ‘Chicago’ stands for belief in the efficacy of the free market as a means of organizing resources, for skepticism about government intervention into economic affairs, and for emphasis on the quantity theory of

money as a key factor in producing inflation. (p. 6, emphasis added)

The above quote from Milton Friedman presents a nice summary of what, from his perspective, the ‘Chicago School’ stands for. This study of neoliberalism is of course not by any means meant to be a paper on economic theory in any significant detail. Nevertheless, certain terms need to be understood, at least on a very cursory level, for us to proceed. This said, in case the reader is not familiar, a few condensed lay words on the quantity theory of money (QTM) discussed in political terms should prove helpful.

Heakal (n.d.) tells us that QTM was very popular in the 1980’s among some major economies such as the United States and Great Britain under Ronald Reagan and Margaret Thatcher respectively. At the time, leaders tried to apply the principles of the theory to economies where money growth targets were set. However, as time went on, many accepted that strict adherence to QTM was not necessarily the cure-all for economic malaise. Of very critical relevance to this study, the author adds that John Maynard Keynes challenged the theory in the 1930s. It was conceded by many economists that Keynes' idea was accurate. What does this mean and how is it relevant? On its highest level TQM was a way for a country to manage its economy. The reader will soon see this quote from Milton Friedman is a very high level admittedly oversimplified description of ‘classical-neoclassical’ versus ‘welfare’ economics.

Shortly, I will be presenting work by Van Horn, Mirowski & Stapleford (2011) who will detail much further the construction of the Chicago School. The reader will see clearly how, once this lay political definition of QTM is placed in its proper historical context, it is central to understanding the launching of neoliberalism. For now, I continue with the history of how the Chicago School grew in power and influence.

The Chicago Tradition- an introduction. Van Overtveldt (2007) begins describing this new ‘Chicago Tradition’ as having five basic characteristics that will gain more meaning as we go along. They include: 1.) a fanatical work attitude, 2.) the firm belief in economics as a true science highly relevant for daily life, 3.) the emphasis on scholastic and academic achievement, 4.) the preparedness to put everything continually into question, and 5.) the apparently inspiring isolation of the University of Chicago. According to Van Overtveldt (2007) “the fact that these five characteristics occurred more or less simultaneously at the University of Chicago tends to give the place a somewhat unique character and distinct intellectual tradition” (p. 20). Of these five, the one most identifiable to the University of Chicago School of Economics is its fanatical work attitude.

As an example, Van Overtveldt (2007) tells us that Ernest DeWitt Burton, university president from 1923 to 1925 said that “Chicago is primarily a place for hard work. There is no room for the idler here. Amusement is not our principle business. At the University of Chicago, as the saying goes, you eat, sleep and breathe economics” (p. 20). This attitude should not be underestimated.

I now introduce arguably two of the most important and prominent people in the history of the University of Chicago; William Rainey Harper and John D. Rockefeller to continue building this idea of a unique ‘tradition’.

Van Overtveldt (2007) brings religion and drama to this history by discussing how this quote about William Rainey Harper above relates to the religious environment in Chicago before the formation of the ‘new’ University. He argues that Harper was very much aware that the start-up of a ‘new’ University of Chicago presented a unique chance to “realize his visionary project and leave the past behind” (p. 21). What does he mean by this?

A University of Chicago run by a religious organization known as the Chicago Baptists existed from 1858 to 1886. However, according to Van Overtveldt (2007) this ‘old’ university disappeared because of inadequate funding and the financial panics of the 1870's. Additionally, he claims that what also caused its demise was a lack of vision by board trustees. Harper knew of this history of the ‘old’ university and was determined not to repeat the same mistakes that led to its downfall.

Next, in steps a powerful and pivotal behind-the-scenes individual into this history. The importance and relevance of the upcoming discussion on the formation of this new University of Chicago and its connection to this study of neoliberalism is impossible to overstate; as it connects back to Chapter Four on the nature and power of capital. Van Overtveldt (2007) now tells us that in the Midwest, Baptist congregations were growing rapidly and through the auspices of the American Baptist Education Society, the Baptist clergy were anxious to create a new university in Chicago. The Baptists were successful in convincing the wealthiest of all Baptist laymen, John D. Rockefeller, to invest his money in a new university here in Chicago; as opposed to New York.

While Rockefeller eventually agreed to fund this new school, his initial interest should not be described as one of love-at-first-sight. As a devout Baptist, he refused to save the old University of Chicago as it moved closer and closer towards financial ruin. However, talks between Harper and Rockefeller developed into a good relationship between Rockefeller and Thomas Goodspeed, secretary of Harper’s Chicago employer; the Baptist Union Theological Seminary.

The talks of a new University of Chicago had been on the table beginning in the early 1880’s but it was not until late 1887 that Rockefeller became interested. This is where the

importance of this Rockefeller connection gains momentum. Why now? It was then that his business practices came under fire during the debate in Washington D. C. on the Interstate Commerce Act. Van Overtveldt (2007) claims that it was this that made Rockefeller instinctively realize that a major philanthropic enterprise would be a welcomed diversion and that locating it in Chicago and away from New York, his main business center, and Washington D. C., where all the scrutiny of his business was taking place, was a smart thing to do from a business perspective. The final push to get Rockefeller on board with the new University of Chicago project came from Frederick T. Gates, adviser of his many philanthropic endeavors.

After a lot of effort, Gates was able to convince the American Baptist Education Society to get behind the project; as that was a non-negotiable aspect of Rockefeller's support. The deal was now in motion. Rockefeller agreed to contribute \$600 thousand to create the new university on two conditions: one; that William Rainey Harper become the university's first president and two; that the local Chicago Baptists raise an additional \$400 thousand. Harper agreed to come aboard and the local Baptists were able to raise the additional \$400 thousand. As the last piece of the deal, one of Chicago's leading merchants, Marshall Field, donated the site for the new university on the Midway Plaisance.

The charter of the new University of Chicago was adopted in May 1890 and William Rainey Harper officially accepted the presidency in February 1891. The university formally opened its doors on October 1st 1892. Van Overtveldt (2007) tells us that there were some who quipped that "Rome was not built in one day, but the University of Chicago almost was" (p. 23).

I wish to add a side comment in this narrative history of the creation of the new University of Chicago that the author did not mention, or may not have thought important. Since the power of capital is a central theme in this study; it makes sense to add it. It seems to me that

Rockefeller could just as easily have said that he would donate \$400 thousand and that the local Baptists should raise \$600 thousand. Obviously that would have been entirely feasible, doable and within reason. In that scenario, Rockefeller would still be the largest single donor and most influential in the organization, but this could have at some time in the future left him vulnerable to be voted out and forced to sell his stake by those hostile to his personal views. In other words, the \$600 thousand to \$400 thousand in his favor made him permanently in control. To my mind, it is this critical thinking and logic of a wealthy businessman that created a bulletproof environment for him to always be able to insist on his views at the new University of Chicago that may have possibly escaped the attention of Van Overtveldt (2007).

Although we will soon see that Rockefeller left management of the new University wholly in the hands of William Rainey Harper, I strongly argue that is a grave mistake to not understand who was always really in charge; albeit behind-the-scenes. I think the reader will understand how this side comment relates to this study of neoliberalism as a critical point; as it once again represents, in my view, the real power of capital. As an example of the fear of the corporate influence injected by Rockefeller in the early history of the new University of Chicago, Coats (1963) describes the some of the public's concern to his involvement in education. The reader can see the early connection to a neoliberal mindset:

In the circumstances, the new university inevitably encountered widespread suspicion and hostility. Even intelligent and well informed commentators occasionally wondered whether John D. Rockefeller's munificent donations meant that the corrupting influence of business wealth would soon be felt within the ivory towers, while

radical journalists and politicians had no hesitation in bestowing upon the new institution the opprobrious title The Standard Oil University. (p. 488)

The public concerns did not stop with John D. Rockefeller. Coats (1963) also says that the driving ambitions of its first president William Rainey Harper “had methods that appeared to resemble those formerly employed by the university’s notorious benefactor” (p. 488).

Van Overtveldt (2007) next tells us that William Rainey Harper was a man of extraordinary talents and gifts as both a student and soon to be very skillful and brilliant salesperson for the new University. After receiving his PhD from Yale, he taught Hebrew at the Baptist Union Theological Seminary in Morgan Park; a suburb of Chicago. Additionally, Harper exhibited a real talent for finding financial resources for various educational initiatives while showing an incredible amount of energy. Some colleagues said that he never seemed to sleep or rest. Rockefeller himself praised Harper for his extraordinary worth ethic and his executive organizing abilities. He said once that he “caught in some degree the contagion of Harper’s enthusiasm” (p. 21).

In continuing to develop the uniqueness of the school, Van Overtveldt (2007) tells us that Harper, who had accepted a professorship at the Yale divinity school, dreamed of a university that focused more on research than teaching. This is important inasmuch as it was this vision that began to distinguish the University of Chicago from other universities. This same vision was attempted by Henry Phillip Tappan at the University of Michigan in Ann Arbor but failed; mostly due to political interference. From Tappan’s experience, Harper concluded that a school where research was prioritized over teaching would be very difficult to near impossible in a state university; that an endowed university was the only hope. In other words, a privately funded

university was needed for his vision. He won the commitment of John D. Rockefeller in his mission and began executing it in a new university with a sizeable endowment.

Van Overtveldt (2007) continues our historical look into Harper and asserts that when the University of Chicago opened in October 1st 1892, it was not the first school to pioneer research over teaching, but it was Harper who was the most effective institution-builder compared to Daniel Coit Gilman at Johns Hopkins University or G. Stanley Hall at Clark University.

However, not everyone was enamored with what Harper was trying to create; he had his share of very strong and vocal critics. The daring and challenging nature of what Harper was doing at the University of Chicago met with some fierce criticism. For example, in looking back and discussing Harper's original mission, Murphy & Bruckner (1976) claim that Edward Hirsch Levi, university president from 1968 to 1975 said:

This combination of undergraduate and graduate work, of teaching and research, was regarded as a bold but foolhardy experiment; an attempt to put together the main attributes of the English colleges and of the German centers of learning and to do so in a most unlikely geographical place. Many of the experts were sure that the experiment would fail. The parts of such an institution, it was believed, hardly could exist together. They would not make for a common strength. The place would fly apart. The institution was called a veritable monstrosity- a 'Harper's Bazaar'. (p. 2, quotations in original text)

Next, I think a few words on the actual initial first days of operation at the university from Harper himself may add to increase our understanding of the underlying philosophy that helped this institution grow to what it is today. Murphy & Bruckner (1976) quote from Harper's First Convocation, 1 January, 1893:

First days are always days of uncertainty and anxiety, but they are also days of peculiar interest and significance. The very uncertainty which attends them adds to this significance; for there is during this period of indefiniteness a possibility of development which no longer exists when fixity is once attained. Our first days have seen little, perhaps too little, of this seemingly necessary uncertainty. From the beginning there has been a definiteness of plan which to some doubtless has appeared premature. Time will show- time indeed has already shown, that it is the definite conception which has the power to move men to action; and if this conception is only sufficiently flexible, the possibilities of growth are not diminished by the definiteness. (p. 3, emphasis added)

To my mind, these words by Harper himself represent the managerial leadership and executive brilliance fueled by a very definite vision that philosophically undergirded the University of Chicago from day one. To the reader; I could not be more impressed. This explains why, after discussions with Harper, John D. Rockefeller was willing to fund the start-up of this new school and insisted on Harper as its first president. Leaders of this caliber, in my opinion, are very rare

indeed. I think the reader may see why the above quote from a later president, Edward Hirsch Levi, sounded like a bit of chest-thumping and flaunting of a foundation that was, in his mind, and justifyingly so in my mind, conceptually far above the thinking of the so-called experts who thought Harper's vision would fail. I now continue with Van Overtveldt (2007) who discusses the wide variety of thinking at the school that helped build its uniqueness.

Van Overtveldt (2007) argues that there exists a relentless questioning of accepted truths made at the University of Chicago. He calls this 'fertile breeding grounds for scientific revolutions'. Where does this idea come from? Murphy & Bruckner (1976) provide a somewhat scintillating and humorous segment from Lawrence Alpheus Kimpton, university president from 1951 to 1960, in his Convocation(s) of 7 & 8, June 1957 that explains this. The reader should begin to further appreciate the uniqueness of the school from this:

The quest for truth like the chase, must be accompanied by
baying hounds and tingling blood. The great university
must be young, though this need not refer to chronology.
Even the old in age must be young in heart. And what is
more, an exciting university is not a particularly happy or
well-adjusted institution. The great university, if it were to
be personalized, would be a fit subject for the psychiatrist's
couch, and yet it would lose all its greatness if it were
tortured into adjustment through analysis. It must always
retain the excitement and rebellion of youth, if it is to retain
its quality. I have no idea where the general public gets the
notion that behind the walls of ivy, all is peace and quiet. A

week a without revolution is a lost week. (p. 48, emphasis added)

Here, he gives an entertaining and explicit description of his vision of what a great university does that creates this fertile breeding ground for scientific revolutions. The reader should see that this describes the fierceness that is unique to the University of Chicago. Adding to this, Van Overtveldt (2007) also claims that Kimpton said that “the University of Chicago’s tradition is one of great men. The criterion of employment or of promotion is not one of length of service or administrative favoritism. Is he good? - is the only relevant question and always will be” (p. 30).

At the University of Chicago, every argument, no matter how divergent from standard opinion, is taken seriously. In support of this, Van Overtveldt (2007) points out:

Anyone who looks deeply into the often bewildering variety of ideas, arguments and counterarguments flowing around the University of Chicago campus will be amazed that European and East Coast intellectuals find Chicago economists to be little more than a bunch of narrow-minded, near fanatical defenders of capitalism, big business and speculative money. (p. 32)

This is why I stated earlier that in my opinion, the intellectual and political origins of neoliberal thinking stemming from the University of Chicago may often be misunderstood. Those economists were not myopic, as some seem to think. This will become quite clear in Chapter Six when I discuss the thoughts of Henry Simons, once called the Crown Prince of the School of

Economics. Additionally, the broad diversity and deepness of thinking that is always challenged at the School of Economics will be evident later in this chapter when I discuss the nature of institutionalism. I now turn to discuss the ‘workshop system’, implemented in the late 1940’s, that also contributed to the uniqueness of the School of Economics.

The Chicago Workshop System. In detailing what is referred to as the ‘Chicago workshop system’ I add that I’ve had personal experience with something eerily similar and will elaborate on shortly. For now, Van Overtveldt (2007) asserts that this system was a major innovation in conducting economic research and in apprenticing students in research and that it had been copied at many other economic institutions, often at the instigation of Chicago graduates. He says that while this workshop system was somewhat successful elsewhere, they did not reach the intensity of the workshops at the University of Chicago. Why? In Chicago, faculty members were highly committed to the workshop system and to the extensive discussion of papers read prior to the meetings. Van Overtveldt (2007) argues that this workshop system was designed very similar to 19th century university workshops in Germany and that William Rainey Harper was quite familiar with it.

Van Overtveldt (2007) tells us that the workshops at the University of Chicago have three distinct and very interesting characteristics. First, every member of the audience has carefully read the paper presented and second, there is a high degree of attendance by senior faculty members and third, these meetings are characterized by what he terms an ‘intellectual bloodthirstiness’. According to him, absolute horror stories circulated around the Chicago campus about how badly some people have been treated in these meetings. He says that they were often characterized as ‘bullfights’ or the ‘gunfighter’s challenge’.

I mentioned that I had personal knowledge and experience of something very similar to this University of Chicago workshop idea: Many years ago, as a young bank operations department head back in New York, the Group Senior Vice President in charge of operations would hold monthly meetings with all department heads where we had to present data that reflected the results of the prior month's operations to the entire senior management team. Just like the Chicago workshop system, we too were required to have our lengthy reports distributed to each attending manager at least one week prior to the meeting to give everyone a chance to digest and prepare questions that we had better have solid answers and explanations to. It was brutal; to say the least. I recall that only I and one other manager would be prepared enough to successfully defend our data satisfactorily month after month in front of the senior staff and other line managers.

In the meetings themselves, I would often see some managers get sliced and diced right in front of everyone to such a degree that you could actually see them red-faced and slouching in their chairs from total embarrassment and humiliation. It was not a pretty sight. I recall a few times when certain managers would call in sick rather than face the music. To avoid this hurtful drama from happening to me, I would spend an inordinate amount of my personal time preparing for these meetings. In all honesty, it was knowing that I had to face that harsh and brutal reality month after month that made me a very studious manager. That in turn gained me a strong reputation among senior staff; and the personal benefits that that afforded me. It was not until I read Van Overtveldt (2007) that I realized that this potent management process has a real distinct history very similar to the Chicago workshop system and was not something that the bank had invented. But what does this discussion on this workshop system idea mean to this study of neoliberalism?

I'm quite sure the reader will correctly infer from this discussion that virtuous human concepts like those of love, kindness, helpfulness, mercy, empathy, etc. have no place within this Chicago workshop system. With this said, I remind the reader of two things; first that this workshop system and environment was indeed located in the birthplace of neoliberalism; the University of Chicago. Second, recall from Chapter Two when Dan Watson (2003) said that within the language of neoliberalism you are unable to convey any human emotion, including the most basic ones such as happiness, sympathy, envy, love. You cannot, he says, tell a joke in this language, or write a poem, or sing a song. This workshop system of the Chicago School presents an environment that, in my view, connects directly to neoliberalism with its complete absence of virtuous human characteristics. I now sum up the historical discussion to this point.

Summarizing the history of the Chicago School. My intent was to paint a picture of the origins and environment of the University of Chicago, including thoughts and comments from a few of the university's past presidents, that will set the proper background so the reader can obtain a better and fuller understanding of the environment that housed the thinking that comes out of the birth place of neoliberalism. Hopefully, I've shown that there are aspects of the Chicago School that some may not be aware of that contributed significantly to explaining the uniqueness and influence that exists to this day and extends into the 'spirit' of neoliberalism.

In continuing the summary, Van Overtveldt (2007) started building the case for the school's uniqueness by the sheer number of Nobel Prize laureates in economics that came from the University of Chicago. He said that that school had more than twice the number of winners than the second and third place schools combined. He next tells us that the school had become known as a center of doctrinal orthodoxy and extreme conservatism in matters of policy. Following this, a revealing letter written by Jacob Viner to Don Patinkin pointed to the fact there

was an ‘organized battle’ for laissez-faire and the quantity theory of money and against Keynesianism at the school of economics. I greatly reduced and possibly oversimplified this by arguing that this battle represented, in the final analysis, a battle of neoclassical versus welfare economics; with the former being victorious in the late 1970’s due to a financial crisis now referred to as Keynesian stagflation.

Van Overtveldt (2007) then used five distinct characteristics to formally introduce the famous phenomenon known as the Chicago Tradition which he argues tends to give the university a ‘somewhat unique character and distinct intellectual tradition’. This historical background now prepares us for a more thorough and complete discussion of this ‘Chicago Tradition’ by looking more in-depth at how and why it was created.

The Chicago Tradition – Further Analysis.

Contentious from the beginning. Editors Van Horn, Mirowski & Stapleford (2011) begin our deeper investigation into the Chicago Tradition with a very recent controversial and highly emotional reaction to a decision concerning one of its most prominent members, Milton Friedman. “When the University of Chicago announced in May 2008 that it was establishing the Milton Friedman Institute for Research in Economics, (MFI), it provoked an intense campus debate that soon spread to the national media” (p. xv). They next added that over one hundred tenured faculty members signed a petition protesting these plans. “Even economists and other scholars not affiliated with the university argued about the propriety of the university’s actions in an atmosphere fraught with emotion” (p. xv). These editors tell us that these reactions to MFI owed less to specifics about the program’s contents, than to its funding structure and its connection to Milton Friedman, whose vocal advocacy of neoliberal economic policy had made him a polarizing figure. It should be mentioned that he was not just a polarizing figure here in

Chicago, but when Friedman was selected for the Nobel Prize in economics, the two other American Nobel laureates, George Wald from New York and Linus Pauling from Portland, accused him of being an accessory to human rights abuses in Latin America.

Van Horn, Mirowski & Stapleford (2011) in their book: *Building Chicago Economics: New Perspectives on the History of America's Most Powerful Economics Program* argue that by naming the proposed institute after Friedman, the university appeared to be reifying and formally supporting its longstanding association with the so-called Chicago Tradition. They refer to it as a cluster of methods, economic principles and free-market ideology strongly pushed primarily by Milton Friedman, along with some of his colleagues and students. This connection to Friedman in the proposal for MFI was reinforced by statements such as 'the proper evaluation of economic policies must consider the essential role of markets' and claimed that Friedman demonstrated 'how the design of public policy without regard to market alternatives has adverse social consequences'.

Making matters even more contentious, the funding mechanism raised a lot of eyebrows about the MFI's intellectual independence. The university announced that it would seek \$200 million in private donations to endow the institute an extraordinary sum for a social science institute. In addition, donors who contributed \$1 million or more would be granted membership in the Milton Friedman Society and have access to a private annual conference. The reader will see later how similar this is to the Mont Pèlerin Society, possibly the single most powerful private conservative organization in the world founded by another Nobel laureate: Frederick Von Hayek.

The editors argue that the public outcry of MFI illustrates how the doctrine and legacy of the Chicago Tradition remains controversial. So much so, they argue, that in the recent financial

turmoil of 2007 and 2008, many moderate and left-wing Americans blamed the crisis on the very kinds of deregulation and free-market policies and principles long established with the Chicago Tradition. They also claim that the public debate over MFI reveals how little most Americans, including economists, know about the history of the Chicago School, (the purpose of the beginning discussion of this chapter) and as a result are ill-prepared to analyze the ties between institutional structures, political conditions and the theoretical developments in economics. My intent in this segment of the chapter is to shed light on this.

Next we have, in my view, probably the most critically relevant statement from Van Horn, Mirowski & Stapleford (2011) that at the same time, strikes at the very heart of this study of neoliberalism: “The Chicago School was not the product of ‘spontaneous order’ of the free market often lauded by its members; it was constructed, quite deliberately, for specific ends” (p. xvii, emphasis added). In my view, the ‘specific ends’ was to create an environment for an unbridled accumulation of capital by a few; connecting back to our discussion on the nature and power of capital. This also connects to my argument from Chapter Four that suggests that the current usage of Adam Smith’s ‘invisible hand argument’ by some may be an intentional dismissing and warping of his moral ideas for the benefit of a few with agendas for wealth accumulation.

Confirming what Van Overtveldt (2007) stated earlier, according to Van Horn, Mirowski & Stapleford (2011), the breadth of the school’s influence comes from the fact that twenty-six of the sixty-four Nobel Prizes in economics have been awarded to faculty members, researchers, or students from the University of Chicago’s School of Economics. The editors also add a very significant point that directly connects to Chapter Seven: Carriers of the Conservative Torch:

Many observers have tied the school to the rise of right wing orthodoxy in the American political scene starting in the 1980's with politicians such as Ronald Reagan, Margaret Thatcher and George W. Bush; all of who have been effusive in their praise of members of the school as informing their own policies. (p. xvii)

I further argue that this is a clear example how the thoughts of Said (1993) where he posits that the past and the present are inseparable realities that inform each other, shows significant value. Leaning on this thinking, I now go back to the past to look at the genesis of the Chicago Tradition with the aim of explaining the present neoliberal environment.

The interwar and postwar foundations of the Chicago Tradition. According to Van Horn, Mirowski & Stapleford (2011), their project was to simultaneously excavate and reconstruct the institutional and intellectual aspects of the Chicago School that have seen little study and therefore lacking in historical perspectives. They build their case around four major themes. First, the early leaders of the postwar Chicago School were not cloistered academics, but empire builders who set up and forged influential relationships with well-funded institutional organizations to provide vital support structures for their ideas; yet another connection to the power of capital. Second, the postwar Chicago School did not remain unchanged over time, on the contrary, the views of its members sometimes underwent radical shifts. Third, beginning in the 1930's, their leaders sought to construct an economics built for policy and fourth, understanding the growth of the Chicago School requires a nuanced consideration of the relationship between political ideology and economic knowledge.

What the editors assume of the reader is an understanding of exactly what it was about the interwar and postwar periods that undergirds these assumptions. Therefore, to assist the reader, a few words on the interwar and postwar social and political environment should set the stage for a better understanding and allow us to re-engage editors Van Horn, Mirowski & Stapleford (2011) as they discuss the creation of the Chicago Tradition. Note: the ‘interwar period’ covers years 1918 through 1939.

For the interwar environment, Fishback (2008) points to the fact that the 1932 elections swept Franklin Delano Roosevelt and a large Democratic congressional majority into office as a result of the deepening recession. The author next presents a summary of what this election meant that presents a starting point in my timeline of explaining the background that led to the creation of the Chicago Tradition:

The U.S. economy had always rebounded from sharp downturns, but after four years of continued decline, this downturn seemed different, and notions that market economies could be self-correcting were dismissed with increasing frequency. Problems could be found in nearly every nook and cranny of the economy. State and local governments, which had long held responsibility for providing aid to those in trouble, were overwhelmed. Citing a peacetime emergency, the administration rolled up its sleeves and within the First Hundred Days in office established a ‘New Deal’ for America. (p. 385)

Here, Fishback (2008) provides a very brief but succinct understanding of a major shift in American economic policy. It should be easy for the reader to see that the ‘New Deal’ mandate was to help millions in dire need from the depression and to hopefully prevent a reoccurrence of such an enormous economic tragedy. In support of this, the author tells us that “federal spending during the 1930s was less about macroeconomic stimulus in the modern sense of the word and

more about solving the harsh human problems that had arisen during the Great Depression. One of the central problems was determining how to aid the huge numbers of unemployed and discouraged workers” (p. 395).

Fishback (2008) also says that ‘The Holy Grail’ among American economists is to provide an explanation of the cause of the Great Depression that is convincing to the majority of the profession at large. For our purposes, he specifically notes that “Milton Friedman and Anna Schwartz originated the argument that the Federal Reserve bears significant responsibility for the tremendous drop in output between 1929 and 1933” (p. 385). From this, the reader should begin to sense the sharp battle lines being drawn at the University of Chicago during the interwar period. In somewhat loose technical terms, this battle can be called Keynesian economics, or what many refer to as ‘welfare economics’, which supported the New Deal, versus orthodox classical and neoclassical economics; which strongly believes in the market as the best allocator of goods and services.

For the postwar environment, Ikenberry (1992) provides a nice summary of the social climate and conditions after world War II that will lead us to better understand the why of the four perspectives from Van Horn, Mirowski & Stapleford (2011) mentioned above. He begins by claiming that even in the darkening days of World War II, British and American officials debated ideas about postwar order, but despite their differences, they were able to reach a watershed trade and monetary agreement. This is their critically relevant statement: “setting the terms for the reestablishment of an open world economy- an accomplishment that was a bit astonishing given the ravages and dislocations of war, and the multiple visions of postwar order. But the new system was different than anything that the capitalist world had seen before” (p. 289). What did he mean by this?

Ikenberry (1992) argues that the Anglo-American agreements established rules for a relatively open and multilateral system of trade and payments, but they did so in a way that would reconcile openness and trade expansion with the commitments of national governments to full employment and economic stabilization. In lay terms, this was an incredible expansion of Keynesian economics; or what Offe (1983) referred to as a 'mixed economy' or the "Keynesian welfare state after World War II" (p. 228). Whatever it is called, it was the very antithesis of the core of the market-based conservative thinking of Milton Friedman and some of his colleagues at the University of Chicago, School of Economics. Ikenberry (1992) said "not surprisingly, the leading scholar of Anglo-American economic diplomacy characterized the postwar settlement as a political miracle." (pg. 290). He then asked; miracles aside, how do we explain this watershed agreement? This is vitally important inasmuch as I argue that it sets the stage for the development of the Chicago Tradition to combat this postwar settlement.

Charles S. Maier (1977) professor of history at Duke University continues our chronology. He tells us that the objective of his article: *The Politics of Productivity: Foundations of American International Economic Policy after World War II* is to suggest how the construction of post- World War II Western economy under United States auspices can be related to the political and economic forces generated within American society. He next includes a very straightforward and meaningful summary of the global political environment that the reader can see as a watershed moment in American history that is at the same time highly relevant to our discussion:

The close of World War II brought American policy makers a rare and heady opportunity to reshape the guidelines of the international economic order. The pretensions of the Axis powers to organize continental Europe and East Asia had collapsed. Soviet Russia seemed preoccupied

with its own huge tasks of reconstruction and the establishment of a glacis in Eastern Europe. Great Britain depended upon Washington's assistance to maintain its own international role and could not durably oppose American policies. Spared the losses incurred by the other belligerents, the United States inherited a chance to secure Western economic ground rules according to its own needs and visions. (p. 608)

Ikenberry (1992) now takes a critical look at this question that grounded the postwar agreement that will segue us back to Van Horn, Mirowski & Stapleford (2011) and the early beginnings of the Chicago School. He asks: “why did an American government with a State Department that championed laissez-faire and free trade, end up backing a system more concerned with safeguarding welfare capitalism?” (p. 210). I suppose one could view this as the proverbial sixty-four-thousand-dollar question. In any event, with this very brief historical background of economic social policy before and after World War II, hopefully the reader can begin to see why I argue that conservatives felt they were ‘fighting for the very life of their worldviews’. From the above quote by Ikenberry (1992) one could credibly argue that the economic and political environment after the end of the war, concerned with safeguarding welfare capitalism, forced conservatives to act.....and act they did.

Possibly the most important event resulting from the end of the war that relates to our discussion of the post war environment, was the establishment of the Mont Pèlerin Society in 1947. What was this organization about and who initiated it? When many of the values of Western civilization were imperiled, 36 scholars, mostly economists, with some historians and philosophers, were invited by Professor Friedrich von Hayek to meet at Mont Pèlerin, near Montreux, Switzerland, to discuss the state and the possible fate of liberalism (in its classical sense) in thinking and practice. The group named itself as the Mont Pèlerin Society, after the

place of the first meeting. It emphasized that it did not intend to create an orthodoxy, to form or align itself with any political party or parties, or to conduct propaganda. Its sole objective was to facilitate an exchange of ideas between like-minded scholars in the hope of strengthening the principles and practice of a free society and to study the workings, virtues, and defects of market-oriented economic systems. This will be discussed more in context in the next chapter.

Conservatives: Fighting for the very life of their worldviews. Peck (2011) tells us that Milton Friedman and his colleagues waged a thirty-year war against the Keynesian intellectual occupation that began in the mid 1940's until their moment of vindication in the mid 1970's. What happened to turn the tide in their favor? He argues that the real critical turning point for conservatives came during the financial crisis of the late 1970's. This crisis was something that conservatives like Milton Friedman at the Chicago School had 'predicted' for years; a claim that I criticize as fallacious. They refer to it as the nightmare of Keynesian stagflation. This is such a critical turning point for conservatives and our understanding of the thinking at the Chicago School, that a need to further explain this economic phenomenon known as stagflation is warranted.

I should add here that, while I am not an economist, I strongly disagree with talk that Milton Friedman and others 'predicted this for many years' and saw this economic crisis of Keynesian stagflation as a moment of vindication. In my opinion, it was the oil embargo of the 1970's that no one had predicted that sent enormous shock waves through world financial markets that precipitated Keynesian stagflation; not some superior understanding of economics that predicted it; as they claim. In any event, whether I am right or wrong, at least a cursory understanding of this economic phenomenon known as stagflation is needed to proceed.

To better understand the concept of Keynesian stagflation, Foley (2012) leans on the thoughts of Karl Marx to provide a cursory understanding of this critical point in the history of the Chicago School, and as you will see, a changing of our nation's basic economic model. What was the Keynesian stagflation crisis of the 1970's all about and why was it so critical? Much of Foley's work is based on Karl Marx's theory of exploitation; a highly technical formulation whose detailed understanding is past the scope of this study. Nevertheless, he does present an explanation of Keynesian stagflation that includes its repercussions that is not only within scope, but understandable and useful for our purposes.

Foley (2012) begins by telling us that mainstream economists tend to represent the stagflation crisis of the 1970's primarily as a scientific turning point in economic theory. According to this view, during the post-World War II decades, a wrong theory had gained consensus acceptance and decisive influence over economic policy, particularly monetary policy. "The attempt to manage the U.S. economy on the basis of Keynesian principles failed with the emergence of stagflation, a combination of stubborn inflationary pressures and excess economic capacity" (p. 253).

In case the reader is unfamiliar with this economic concept, a very high-level understanding that also validates the time line, and at least to some degree my criticism, is as follows: Investopedia (n. d.) defines stagflation as:

A condition of slow economic growth and relatively high unemployment - a time of stagnation - accompanied by a rise in prices, or inflation. Stagflation occurs when the economy isn't growing but prices are; which is not a good situation for a country to be in. This happened to a great

extent during the 1970's, when world oil prices rose dramatically, fueling sharp inflation in developed countries. For these countries, including the U.S., stagnation increased the inflationary effects. (p.1)

Foley (2012) details this further in economic terminology by arguing that Milton Friedman's demonstration of the existence of a 'natural rate of unemployment' plus Thomas Sargent and Robert Lucas's development of 'rational expectations equilibrium', macroeconomic theories, and Lucas's 'critique' asserting the philosophical necessity of grounding macroeconomics in the microeconomic foundations of Walrasian equilibrium theory, overturned and discredited Keynesian theories and policies. Put more simply in lay terms, he argues that the failure of Keynesian economics as seen during the stagflation crisis in the 1970's, proved the need to return to the purely market-based mathematical modelling of classical and neoclassical economics discussed in Chapter Four.

Foley (2012) goes on to add that the key innovation in academic economics during this crisis timeframe, according to him, was the replacement of structural dynamic macroeconomic models by real business cycle models. "In line with the vision behind these models, which holds that markets reliably and stably enforce a growth path on the real economy determined by tastes, technology, and resources, economic policy was reoriented to the empowering of markets through deregulation and privatization" (p. 254). This is the change in the nation's basic economic model that I referred to earlier.

From this cursory discussion on stagflation, the reader can see not only the substantial diametrically opposing views of economic life that was at stake, but also that it was the stagflation crisis of the late 1970's that turned the tide in favor of conservatives towards the

thinking of specific members of the Chicago School, like Milton Friedman, and away from Keynesian theory; which Offe (1983) referred to as the economics of the welfare state. The opposing views in economic thinking could not be made clearer, in my opinion. I now return to Van Horn, Mirowski & Stapleford (2011) to complete our understanding of the development and importance of the Chicago Tradition.

The first place to enhance our understanding of the powerful impact of the postwar Chicago School is to examine the relationship between this newly invigorated conservative thinking and its impact on American economic policy. I start with Stapleford (2011) who puts forth a very significant point that is core to this study that will require much more detail: “conventional wisdom would place early institutional economics and the postwar Chicago School on opposite ends of any methodological spectrum” (p. 3). This cannot be overstated. He claims that prominent faculty and graduates from the postwar Chicago School totally disparaged the idea of institutional economics not merely as incorrect, but as actually devoid of content. The above quote presents a good description of the width and breadth of the battle I refer to. In dramatic literary terms, it argues that the wide difference between the two sides is as far as east is from west.

Examples of this wide gulf in opposing views can be seen by popular denunciations of institutional economics like the one made by Thomas Sowell, Senior Fellow at the Hoover Institution of Stanford University who once called it ‘half economics, half sociology and all mush’. Add to this, George Stigler, Nobel Prize recipient in Economic Sciences in 1982, and a key leader in the Chicago School of Economics, argued that institutionalism was ‘vacuous and hostile’ to the standard theoretical tradition. With these highly disparaging characterizations of institutional economics, the reader can probably sense a dichotomy being portrayed here that,

when better understood, will explain the true nature of the battle at the Chicago School and its connections to this study of neoliberalism. The deep nature of this battle, as the reader may suspect, will not be easy to explain as it is not cut and dry; black or white. In actuality, there was plenty of grey, vacillation and fluidity among combatants. Nevertheless, I argue that at least a cursory understanding of the nature of institutionalism is necessary in explaining how the Chicago Tradition came about.

Institutionalism

Introduction. First, I've introduced a major new term in this study; institutionalism, also captured as institutional economics, that needs definition and explanation. Classical and neoclassical economics were defined in Chapter Four. The question before us now is: what is institutional economics? I am confident the reader will see that once explained, it connects nicely to ideas from Chapter Four; specifically, the problematic foundations of *homo economicus*. However, definitions and explanations of institutionalism will require a significant diversion before returning to Van Horn, Mirowski & Stapleford (2011) as they continue to explain the genesis and power of the Chicago Tradition.

Philip Mirowski (1991) in his article: *The Philosophical Bases of Institutional Economics* will provide an introduction and analysis of this important new term. He does a nice job of organizing a rather complex set of ideas into a single coherent frame of thought that we can use to better understand the nature of the battle at the Chicago School of Economics.

In defining Institutional economics, Mirowski (1991) sets the stage for his deep view of the nature of the battle in Marxian-style penetrating literary fashion. The reader will see right from the beginning which side he supports. I state that as researcher, I am in complete agreement

with his analysis; as it depicts the essence of the battle succinctly. For that, it is worth quoting at length:

In economics, the facade of the repudiation of philosophical preconceptions is propped up by the widespread conviction that modern economics has successfully adopted the character and attributes of a science. This invocation of science is intended to settle all arguments once and for all and to expiate all sins. Of course, this has been a vain hope. Once we can get beyond the lab coats and the particle accelerators and the rest of the clanking machinery, it is not at all clear that ‘science’ is inextricably committed to any particular program or method, or to ontological construction. Science may at various junctures be realist or it may be idealist; it may be rationalist or it may be empiricist; or, most bluntly, it may be true or it may be false. Nothing is substantially illuminated by the mere invocation of science by economists, although it has in the past proved useful in cowering certain critics. (p. 74, italics in original text)

This is, in my view, a brilliant way to describe exactly what this battle is all about. First, I interpret his ‘attributes of a science’ to mean ‘attributes of a natural science’. This should become crystal clear and evident shortly. We will see that the University of Chicago has indeed used the fallacious and intimidating use of economics as a natural science, along with their

fierceness as an institution, to ‘cower certain critics’ and successfully promote one side of this battle.

Connecting Institutionalism to the Chicago School. Mirowski (1991) begins to dissect this battle by defining the overall philosophical foundations for each side. According to him, on one side we have classical-neoclassical economic theory that is grounded in the Cartesian analytic philosophical tradition. On the opposing side, we have institutional economic theory that is grounded in the philosophy of Pragmatism. The two founding and opposing philosophers are Rene Descartes and Charles Sanders Peirce.

By looking into each one separately, the reader will get a better understanding of the sharp differences in the battle. I need to remind the reader that in reality, and especially at the Chicago school, the differences are not as distinct and separate as the following analysis seems to argue. As stated earlier, in actuality there was a considerable amount of grey area that existed between the two sides. This will become quite clear when I discuss the thoughts of Henry Simons and why his work and thinking was rejected in the next chapter.

Before we begin, as a note, Mirowski (1991), prior to detailing the substantial differences between classical-neoclassical and institutional economics, presents a purely philosophical argument that claims they both actually originate from a common foundation. He derives this highly complex idea from what he refers to as the Durkheim/ Mauss/ Douglas (DMD) thesis. While very interesting and quite relevant to this study, it is a bit out of scope for our current purposes. For now, he begins to provide the philosophical differences that undergird the battle of worldviews at the Chicago School of Economics. Recall that the two sides in the battle are neoclassical versus institutional economic theories.

Neoclassical theory and the Cartesian analytic tradition. Chapter Four presented the theoretical, mechanical and social aspects of neoclassical theory; but not the philosophical foundation; which is about to be addressed. Mirowski (1991) begins by arguing that “the Cartesian tradition in philosophy has made its appearance in the British and American contexts as a penchant for ‘analytical philosophy’, especially in the twentieth century. Although many of the modern tenets are not intended to be faithful representations of Descartes’ original concerns, the ‘Cartesian tradition’ does serve as a shorthand for a certain sequence of canonical texts and attitudes” (p. 79). He now details his understanding of Cartesian philosophy, which he argues neoclassical economic theory rests upon.

This brings us to a very critical point not only in this chapter, but in this entire study that at the same time, sums up the importance of Chapter Four that uncovered the problematic foundations of neoliberalism as a phenomenon. Recall Sen (1977) who strongly and powerfully rejected rational choice theory that grounds *homo economicus*; a pillar of neoliberalism. It strikes at the heart of the false claim that neoclassical economics is a natural science. In my opinion, it is this very precise point that gives the neoclassicists the false but intimidating rationale to pound opposing pragmatic views into submission.

According to Mirowski (1991), analytical Cartesian philosophy is not too concerned with the thinking of an individual scientist or any group of scientists. Instead, it argues that science is itself mechanical and impersonal, and separates discovery from justification. The author is arguing, in my view, that the fascination of discovery tends to dwarf its justification to the point that if it is useful, little attention is paid on justifying it. This connects to the rejection of rational choice theory by Sen (1977) who argues that the very quantitative nature of the model itself is unjustified and meaningless, leaving it for use only for specific agendas that lack any real

quantifiable basis. In short, neoclassical economic theory is baseless when examined as a natural science.

Mirowski (1991) goes on to add a very interesting aspect of Cartesian philosophy when he argues that in it, the separation of mind and body means that we know our own thought better than we can know the world. From this, he claims that all ‘proof’ is nothing more than the satisfying of personal doubt. This appears to be in synch with Michael Polanyi (1958) when he argues that “complete objectivity, as normally attributed to the exact sciences, is a delusion, and is in fact, a false ideal; a proper substitute is personal knowledge” (p. 18).

Hammering the nail and connecting the above in explaining the neoclassical side of the battle at the Chicago School, Mirowski (1991) argues there exists a close correlation between the Cartesian epistemology and the structure of neoclassical economic theory. “There is a familial resemblance which serves to fuse the natural world and the social world into a single coherent entity for the analytic Anglo-American mind. The social order of the economic world is reflected in the scientific order of the natural world” (p. 81). We now move to the philosophical foundation of the other, unfortunately, losing side of the battle.

Institutionalism and Pragmatism. Mirowski (1991) begins his explanation of institutional economic theory by posing the following question: where shall we search for philosophical foundations elsewhere than in the Cartesian analytic tradition? He says that the origins of this different phenomenon must be traced back a century to the situation that existed in philosophy and science in the America of the ‘Gilded Age’. “In the late nineteenth century, the predominant understanding of science in the United States was not that of the Cartesian analytic tradition” (p. 81).

The following quote nicely places the battle at the Chicago School of Economics in plain historical terms such that the reader should begin to appreciate the demarcation of the two sides in opposing philosophical terms. It is worth quoting at length as I believe it to be a well thought through summary on the genesis of institutional economics:

The main influences on the idea of science in the Gilded Age came not from Britain or France, but rather from the Germany of the research universities. The philosophy of science had not grown as separate and detached from social theory as it had elsewhere, and this was manifest in the three great movements in German philosophy: the dialectical idealism of Hegel, the historicist hermeneutics of Dilthey, and a revival of neo-Kantianism. These traditions took root in the US, and by a very convoluted route, sprouted an indigenous school of philosophy in America called 'Pragmatism'. It is my thesis that it was this Pragmatic conception of scientific endeavor and epistemology which later induced a novel reinterpretation of the economy and the economic actor, and that this conception was consolidated into an institutionalist school of economic theory in the first three decades of the twentieth century. (p. 81, emphasis added)

Next, a few words on pragmatism as a philosophical foundation for institutional economics is needed to enhance our understanding of the two opposing sides of the battle. In a

somewhat humorous description, Mirowski (1991) uses the thoughts of Richard Bernstein (1966) who claimed that it is still a common myth, even among philosophers, that positivism is a tough-minded variety of a softer-minded and fuzzy pragmatism. Intent on combating this, Mirowski (1991) argues that such a myth is very unfortunate:

It obscures the fact that it was the project of the pragmatists to provide a systematic alternative to the Cartesian analytical tradition, as well as to the naturalist doctrines characteristic of positivism. We shall see that this confusion has subsequently spilled over into economic controversies, to the extent that, in some quarters, institutionalist economics is misperceived as a sort of naïve empiricism. (p. 82)

With this quote, Mirowski (1991) provides, I believe, an even clearer description of the battle at the Chicago school.

Unfortunately, in what complicates matters even further by putting a ‘chink in the armor’ on the side of the institutionalists, Mirowski (1991) claims that the founder of pragmatism, Charles Sanders Peirce left no synoptic account of his philosophical system. He readily admits that reading Pierce is no fun and that “most who have a passing acquaintance with pragmatism base their knowledge on the more accessible but less reliable versions to be found in John Dewey or William James, or worse, simply upon their own understandings of the colloquial connotations of pragmatism” (p. 82). Significantly adding to this unfortunate status of pragmatism as a philosophic discipline, Mirowski (1991) argues “Peirce was not concerned to sketch out an alternative political economy” (p. 87). Combining these two points, I believe that

is it precisely here where this lack of a sound formulation of pragmatism as a whole, and especially that Pierce does not propose an alternative political economy that left the door open for the opposing side of the Cartesian grounded neoclassical theorists at the Chicago school to refute and disparage institutionalism.

While a serious and deeper look into pragmatism itself is far out of scope with this study, it would seem obvious to me that anyone deeply influenced by Pierce's thinking would certainly be skeptical and in opposition to traditional neoclassical economics. Why do I say this? According to Mirowski (1991) "a survey of his entire work reveals that he was openly hostile to the Cartesian analytic tradition" (p. 82).

With this initial introduction to institutionalism, the stage is set to introduce Geoffrey Hodgson, Research Professor in Business Studies at the University of Hertfordshire, U. K. who will provide concluding thoughts on institutional economics that are in line with the main thoughts of Mirowski (1991).

Ulrich Witt of the Max Planck Institute in Jena, Germany claims that Hodgson's (2004) book: *The Evolution of Institutional Economics: Agency, Structure and Darwinism in American Institutionalism* reads like a crime novel. He also adds that its breadth and deepness of ideas, explanations, and philosophical underpinnings, goes far beyond any history of economic thought. The reader will soon see that Witt's opinion that Hodgson's (2004) book 'reads like a crime novel', will have very significant meaning as I piece together the main thoughts from his brilliant book with thoughts from Chapter Four on the problematic nature of neoliberalism's intellectual foundations.

Hodgson's (2004) work will also provide a deeper understanding of why Stapleford (2011) begins his article talking about the enormous gulf of economic views that existed in the early Chicago School. The objective here is to add to the thoughts of Mirowski (1999) to increase our understanding of institutional economics to better appreciate the richness of the two competing ideas at the Chicago School.

In providing an additional understanding of institutionalism, Hodgson (2004) gives a nice straightforward introduction to this complex holistic phenomenon; including a powerful stinging opposition to Milton Friedman and his fellow neoclassical market based economists at the school. It is worth quoting at length; as it complements and solidifies the ideas from Mirowski (1999) and further clarifies further what the battle at the Chicago School of Economics is about:

Institutionalism offered an approach to the study of economic phenomena that drew not from one discipline, but several. It appealed to psychology, anthropology, sociology, history and elsewhere, in an attempt to understand and explain the world as it is, has been, and may be. Its foremost concern was to understand the real world rather than to develop technique for its own sake. It is not as if everything in the garden of mainstream economics is bringing healthy fruit. The last few years have witnessed enduring global poverty, dubious practices of deregulation, prolonged recessions and extreme turbulence in financial markets. (p. 5, emphasis added)

From this he argues that what is at stake are rival conceptions of the nature and scope of economics as a discipline. In detailing the core of the battle further, Hodgson (2004) is quite clear when he says that it is widely known that the old institutionalists were hostile to what he calls the narrow vision of economics as the ‘science of choice’ and the utility-maximizing version of ‘economic man’, also referred to as *homoeconomicus* in this study. “So keen to dismiss these criticisms, many mainstream economists have resorted to the dismissive tactic of describing any broader version of their discipline, or any approach that is not based on individual utility maximization, as not economics” (p. 4). Here’s where it begins to get real interesting and even entertaining, as he further connects with Mirowski (1999) on institutionalism.

I mentioned that I agree that Hodgson’s book reads like a crime novel. Why? For starters, I begin by pointing out that in responding to the unduly harsh, disrespectful and dismissive criticisms of institutionalism like those from Thomas Sewell and George Stigler mentioned earlier, Hodgson (2004) argues quite emphatically that he becomes very suspicious when he hears people repeatedly and energetically denounce institutionalism without ever once providing any evidence that they have carefully read or analyzed its texts.

Concerning these denunciations, in a response very reminiscent of ‘Sherlock Holmes speaking to Watson as he analyzed a crime’, he says “any experienced historian of ideas would smell that proverbial rat. Something odd and dubious is going on. What is at the root of this academic desire to demonize the old institutionalism without recourse to scholarly evaluation? One is drawn to the conclusion that something important and fundamental is at stake” (p.4). In short, Sherlock Holmes would say: something’s afoot! The reader can visualize Watson shaking his head in affirmation. I say he is right. I further say that his use of the word demonize could not be more accurate and is wholly line with the ‘transrational approach’ to this study of

neoliberalism. Recall that this approach defines transrationalism as the seamless integration of the rational and the non-rational with the non-rational further defined as knowledge gained through narrative. Here, the word demonize is clearly non-rational yet presents to the reader, in my view, a deeper understanding of the battle at the Chicago school. There is still of course ample opportunity to disagree, but think of how much more thought is generated by this non-rational word demonize. This is the desired effect of the transrational approach and why it brings value to an analysis of a phenomenon. So that we don't lose focus, this discussion on institutionalism seeks to connect the dots from the intellectual core of the internal battle at the Chicago School in the 1930's and 1940's, to the eventual success of neoliberalism as policy in the 1980's.

To close out this rather lengthy diversion on institutionalism with something I agree with, according to Hodgson (2004) the only legitimate way to study human behavior on the level of social structures, such as the economy, requires a reengagement with the social science fields of anthropology, psychology, sociology, cultural studies, etc., as well as mathematics, in an attempt to break down the 'Berlin Wall' as he called it, between the natural and social sciences. In short, we can now define the battle at the school as a battle of the following: neoclassical economists like Milton Friedman and others one side, who believe that human economic behavior is predictable via the extensive use of mathematics alone, versus the institutionalists, like Henry Simons and others who believe that such an endeavor is both impossible and baseless; each side eventually disparaging the other.

The pinnacle of this battle really began to ferment, in my view, during the Great Depression; where Roosevelt's New Deal was grounded in the Keynesian economics of the welfare state. I should remind the reader that the term 'welfare state' does not represent any kind

of social judgement; it is simply being used in this study to describe an alternative economic theory to neoclassical.

Ending discussion

Chapter summary. This chapter was intended as a necessary prelude so that the reader can better engage the next two chapters. This chapter and the next are divided into two distinct timeframes concerning the University of Chicago: pre and post-World War II; with this chapter focusing on the former.

One of the main objectives of this chapter was to provide the reader with a short but succinct history of the University of Chicago. It is hoped that the reader will begin to better appreciate the nature and power of capital as discussed from Chapter Four. This is shown in this chapter by discussing the school's inception created by the capital provided by John D. Rockefeller that, using Habermas/Marxian thinking and phraseology, served to 'call to life' a unique organization that served his interests.

A discussion on the unique nature and character of this institution was included to give the reader a better understanding of the environment that 'birthed the spirit' of neoliberalism. I argue that that same spirit exists today and is clearly manifested in the neoliberal worldview. The 'fierceness' of the school and where that came from was included in a discussion of the Chicago 'workshop system'. Also, segments of a few early presidents' convocations highlighted the 'view from the top' that provided the leadership style that steered the school from the early days.

A very critical emphasis of this chapter was the discussion of the two opposing philosophies coined 'the battle' at the school. Recall that this battle was defined as neoclassical,

philosophically represented by the Cartesian analytic tradition, versus institutional economics, represented by the philosophy of pragmatism. Mirowski (1999) provided a nice summary of these two opposing philosophies and how they were viewed at the school. He also added a strong connection to the transrational approach to this study by addressing the connection of Cartesianism to neoclassical theory; using a narrative approach. He argues, importantly, that the very nature of science separates discovery from justification. This in turn connects to Chapter Three with Polanyi (1958) where he argues that complete scientific objectivity is a delusion, and that a proper substitute is personal knowledge. I extended this line of thinking to link it to Sen's (1977) total rejection of rational choice theory; a foundation of *homo economicus*; discussed in detail in Chapter Four.

Segue to Chapter Six. This chapter leaves us off in the late 1940's to early 1950's. Recall that the neoclassicists were now energized to do something about the increasing acceptance of Keynesian economic policy pushed at the end of World War II. We now have, in my view, the necessary background, both historical and philosophical, to engage the next chapter. There, I use what is referred to as the Van Horn & Mirowski (2009) central thesis on the rise of neoliberalism. According to this thesis, in analyzing the role of the University of Chicago, it is best understood as one component of a larger global project of newly established neoliberal doctrines for the postwar world.

Van Horn & Mirowski (2009) pick of right where this chapter leaves off. My hope is that the reader will understand the next chapter as a seamless and logical 'next phase' in explaining the Rise of Neoliberalism. The undercurrent theme of the power of capital will be quite evident.

Chapter Six

The Postwar University of Chicago, School of Economics and the Birth of Neoliberalism

Introduction.

Recall that Chapter Five ended in the late 1940's to early 1950's right after the end of World War II and the height of Keynesian economic policies; the opposing economic policies to market based neoclassical theory. This chapter starts from there and will feature the work of Van Horn & Mirowski (2009) in their article: *The Rise of the Chicago School and the Birth of Neoliberalism*. They discuss specific people and events that led to the launching of neoliberalism onto the world stage as a new intellectual movement. To repeat, they argue “our central thesis is that the rise of the Chicago school must be understood as one component of a specific larger transnational project of innovating doctrines of neoliberalism for the postwar world” (p. 140).

Chapter preview. While there are many individuals involved in the rise of neoliberalism, this chapter elevates some of the more central figures like Henry Simons, Aaron Director, Milton Friedman, Frederick von Hayek and last but certainly not least, Harold Luhnow. The reader will see clearly that it is Harold Luhnow who, as the new President of the Volker Fund, in open and dramatic fashion, skillfully uses the nature and power of capital to ‘call things to life’ that led to the rise of neoliberalism.

To my mind, the most significant part of this chapter, and I will go so far to say possibly this entire study, comes from the story of ‘Mr. Anonymous’: William Volker and the history of the Volker Fund. I will present a connection between the spiritual message found in the Gospel of Matthew, specifically its directions on ‘giving and how to give’, and the rise of neoliberalism. It is a powerful story that affected me very deeply as a researcher; as it struck a real chord with

my own beliefs. It is also a great story; connecting to both the birth of neoliberalism and the power of capital.

As discussed in Chapter Five, in the aftermath of World War II, Keynesian economics, or the economics of the welfare state, was in its heyday. It was the one thing, in my view, that really ignited the battle at the Chicago School; as it forced conservatives like Milton Friedman and others to ‘fight for the very life of their economic and social worldviews’. Chapter Five discussed the two opposing philosophies of the battle at the school; the Cartesian analytical tradition, representing neoclassical theory versus Pragmatism, representing institutional theory. One of the objectives of this chapter is to connect specific lives to each side of the battle to give it a more human and less philosophical dimension.

What still needs to be discussed is how the battle was actually won by the neoclassicists. With this said, this chapter will look to answer such questions as: How did they win? What really happened? Why? Who were the main people involved? Are there any root causes? Thoughts from Van Horn & Mirowski (2009) and Coase (1993) will shed light on these central questions. Now, the main narrative.

The Rise of Neoliberalism

Introduction. As stated in the chapter introduction, Van Horn & Mirowski (2009) begin by arguing that the rise of the Chicago School must be understood as one component of a specific larger transnational project of innovating doctrines of neoliberalism for the postwar world. Specifically, they say “now that The Chicago School no longer exists in anything like its original form, we believe the time has come to tell the actual story in detail that would satisfy the historian rather than the ceremonial after-dinner speaker. But more importantly, this account

begins to situate the Chicago School in the larger framework of the postwar creation of neoliberalism” (p. 140).

I suggest that the reader understand and interpret Van Horn & Mirowski (2009) saying that ‘the Chicago School no longer exists in anything like its original form’ as putting aside all that Chapter Five has discussed about the beginnings of the Chicago School up to this point; at least for now. In other words, bypassing its initial inception with William Rainey Harper and John D. Rockefeller, up to Roosevelt’s New Deal of the Great Depression and on to the end of World War II; where the authors begin.

At the end of Chapter Five, I made the argument that their picking of the end of World War II to start their excellent narrative and analysis is to some degree arbitrary in my view. It leaves out important groundwork that is required for a fuller understanding of the role the University of Chicago and what its uniqueness as an institution had in ‘instilling the spirit’ of neoliberalism. Nevertheless, Chapter Five also argued that the end of World War II did indeed create a climate for a renewed energy for neoclassical economists to push their worldview forward. This said, Van Horn & Mirowski (2009) now piece together their story of what actually happened at the school after the end of World War II that gave rise to neoliberalism.

I believe it makes sense to replicate, at least in concept, the part of Chapter Five where I discussed the creation of the University of Chicago from its inception using John D. Rockefeller as the one most responsible for creating the school and getting it up and running. Why? Once again we will see my argument that suggests that in the final analysis, it is the power of capital that is the real root force that, leaning on Habermas (1968) and Marx (1973), ‘calls to life things from the wills of people and brings them into existence’. This will make more sense to the reader as I proceed.

The following diversion will show what my argument about capital means in clear fashion in a critically important narrative on the history of the Volker Fund. For now, the reader will soon see that Van Horn & Mirowski (2009) build their case on the connections between the Chicago School and the Rise of Neoliberalism from the historical influence of the Volker Fund; directly connecting to my discussion on the nature and power of capital.

Mr. Anonymous of Kansas City. The following narrative is taken from Hoplin & Robinson (2008) in the first chapter of their book: *Funding Fathers: The Unsung Heroes of the Conservative Movement*. The chapter is entitled: William Volker and his Nephew Harold Luhnnow. They begin:

To Harry Wood: \$1.00 to replace broken glasses. To
 Clarence Wonsetler: \$3.00 for rent. To County Tax
 Collector: \$24.87 on behalf of Laura Winn. To Nancy
 Bowsell: \$115.00 to obtain hearing aids. To University of
 Kansas City: \$42.00 for tuition on behalf of Harold Hein.
 To Bell Memorial Hospital: \$100.00 for James Case's
 operation. (p. 15)

Hoplin & Robinson (2008) tell us that these notes were scratched on three-by-five yellow scrap paper to remind William Volker who would receive a check that day. These people were not relatives or even acquaintances. In fact, they were among the many people who lined up at his door daily in the wee hours of the morning to plead their case to him. He rarely turned someone away empty-handed. William Volker's philanthropy inspired individuals, boosted their capacity to contribute to society, and empowered some of the most accomplished writers, leaders and thinkers of the twentieth century's movement towards free enterprise and freedom from

intervention. “Dubbed ‘Mr. Anonymous’ by those who knew of his good works, William Volker and his nephew Harold Luhnnow changed individual’s lives all around them, one person at a time” (p. 16). Who was this man and even more importantly, why did he do this? Recall the analysis of the power of narrative that is used in N-H from Chapter Three. It will help in understanding how this important question will be answered.

William Volker was born on April Fools’ Day in 1859, on a small farm in Esperke am Neustadt, Germany. As the fourth of six children, their parents gave them considerable responsibilities at young ages. Each day, after long hours of labor, William returned home and entered through the doorway with the saying ‘Work and Pray’. In answering the important question of why he had such a charitable nature, William’s German mother, Dorothea Volker, taught her children the importance of charity according to the Gospel of Matthew; as it speaks of not only the idea of giving, but of how to give for the right reason:

So, whenever you give alms, do not sound a trumpet
before you...But when you give alms do not let your left
hand know what your right hand is doing, so that your
alms may be done in secret; and your Father who sees in
secret will reward you. (p. 16)

This message can also be found in Matthew Chapter 6 verses 3 through 4 (NIV) where it talks about giving to the needy. This, to my mind, is the powerful influence William Volker received from his mother as a child that led to his charitable nature as an adult. It should not be minimized; as it is critical to this study of neoliberalism.

At the age of 12 the family packed their belongings and emigrated from Germany to Chicago to escape the quickly growing and increasingly intrusive Bismarck German government. Hoplin & Robinson (2008) argue that it was this initial experience at a very young age that led to William Volker's skepticism of a demanding government; an important factor that will be discussed later in the chapter. When he turned 14, his parents decided that it was time for him to make his own way. William swept, dusted and ran errands twelve hours a day to earn \$1.00 a week at a dry-goods business. With his hard work, he was promoted to a junior clerk earning a robust \$5.00 a week.

Hoplin & Robinson (2008) now continue with the story by saying that for eleven years, William worked hard and saved every penny he earned. In 1882, his desire to own his own company led him to Kansas City, Missouri. He started it with \$1,500 in savings and a \$3,000 loan from a mortgage placed on the family home. With two partners, he started William Volker & Company in 1882. His company initially intended to manufacture picture frames and moldings since he had some experience in that field. The company soon transitioned into wholesaling these products.

William worked extremely hard; often putting in ninety hour workweeks and sleeping on a cot in the back room. Within just two years his company turned a small profit. Hoplin & Robinson (2008) remind us that not only did William work hard, he prayed all the time. William is now an adult looking back on the effect of the powerful influence he received from his mother as a child. His favorite poet Friedrich Schiller, once wrote that 'chance' comes from Providence and man must mold it to his own designs. From this, the authors say:

Volker took this line of poetry to heart and believed
strongly in the divine, yet simple Providence, the

significance of God's omnipotence, the importance of his stewardship in the eyes of God, and his Christian heritage engrained in his soul from a young age. He read scripture every day; detached, creased pages filled his tattered Bible from its daily use. Scripture guided his actions, and he recognized God's impact on his life: Providence has been good to me. (p. 18)

First, this should remind the reader of Adam Smith's invisible hand argument where he posited the idea of Divine Providence. Continuing, Hoplin & Robinson (2008) claim that it is estimated that Volker gave away nearly one-third of his income every year. From this, his reputation as a very generous man grew more and more; as did the lines of people forming in front of his office each day. The authors tell us that by 1937, he wrote checks to more than one hundred individuals each month. Additionally, Volker personally wrote each check so that every transaction would remain secret, clearly looking to follow the message of the Gospel of Matthew taught to him by his mother.

The list of causes and charities Volker supported also grew. He particularly enjoyed funding the Helping Hands Institute which provided employment for out-of-work citizens. He gave more than a half million dollars to Research Hospital, now called Research Medical Center; making nurse residents, a research lab and a diagnostic clinic possible. He also helped the state of Missouri with a very significant road building campaign by supplying the city with four hundred thousand barrels of cement each year for five years from his cement plant. Additionally, he helped the city acquire the Frederic Nelson Pugsley collection of Chinese art for \$50,000 which remains on display at the Nelson-Atkins Museum of Art.

The University of Kansas became one of the most important causes to him; as it was Volker who, more than anyone else, was responsible for its initial establishment and growth within the community. In 1930, Volker gave the university forty acres of land to build the campus. He donated \$100,000 for the science building, \$75,000 for the library, \$10,500 for the president's residence, a cash gift of \$200,000 in 1939 and a pledge of \$1million over ten years. As to why he was so generous to the school he later said that "I am sure that the University will pay the biggest dividend to the most people. That is plain logic" (p. 21).

Cornuelle (1951) in his book: *"Mr. Anonymous": The Story of William Volker* summed up his life quite succinctly:

William Volker kept his own counsel, left no records of his doings. Even his wife had no access to many of his secrets. William Volker did not expect anyone to write about him, nor would he have wanted his story told. He would have objected to the publication of this book. Many will find it unbelievable. William Volker chose to travel a unique route, to follow an unusual code of behavior. He established a singular pattern, a pattern considered my many but accepted by almost no one. (p. 7)

At this point of the narrative so far, a detailed picture of an incredible and unique man of charity has put the story of the Volker Fund at a very significant crossroad. What do I mean by this? The reader will soon see that, in what at this point must seem like a massive contradiction; it is actually the Volker Fund that is largely responsible for the launching of neoliberalism. This seemingly gigantic twist in the narrative analysis will be supported fully by both Van Horn &

Mirowski (2009) and Coase (1993); as each build their cases separately in connecting the Chicago School to neoliberalism. The link that explains this almost unfathomable connection is found in the next two characters about to be introduced: Harold Luhnow, William Volker's nephew and Tom Pendergast; known as 'The Boss' of Kansas City. Hoplin & Robinson (2008) now continue with their story.

William Volker, having no children of his own, looked after his nieces and nephews by providing allowances for college tuition and summer camps. Volker's younger sister Emma emigrated from Germany to Chicago with the rest of the family in 1871 when she was four years old. In 1890, she married William C. Luhnow, a wholesale coal merchant. They had six boys. One particular nephew, Harold, born in 1895, became closely involved with the Volker and Co. business, along with his uncle's philanthropic interests.

Harold attended Kansas State College of Agriculture in Manhattan, Kansas and graduated with a Bachelor of Science degree in agriculture and animal husbandry in 1917. He then served in the army as a private in World War I. Upon his return to Kansas City, he suffered from pneumonia and the flu from his military service. When his uncle William heard of his condition, he offered his nephew a position as a sales clerk in Volker and Co. for \$15.00 a week until his health improved. Young Luhnow accepted the position so long as no favors would be granted on account of his uncle William being president of the company. Hoplin & Robinson (2008) tell us that this marked the beginning of a thirty-year professional relationship.

Harold Luhnow climbed up the company ranks by hard work and gaining the trust of his uncle over the years. William Volker recognized the talent of his nephew and assigned him as the new Dallas, Texas branch manager in 1921; where he served in that post until 1928. He worked diligently to make the Dallas branch a healthy competitor in the Dallas market. In

acknowledgment of his success, in 1928, William Volker appointed his nephew Harold Luhnow general sales manager of the Kanas City headquarters. He was given the responsibility to overhaul the sales department to improve its operations. This is now where the entire story and its connection to neoliberalism begins to come together.

Tom Pendergast. Who was Tom Pendergast? The reader will soon see that the difference between him and William Volker is so wide that I see it as critical to this study and therefore must be emphatically addressed. Recall that William Volker's famous giving nature stemmed from his childhood; as his mother heavily influenced him by preaching the Gospel of Matthew. The background of Tom Pendergast is quite different.

According to Hoplin & Robinson (2008), when Harold Luhnow returned to Kansas City, he arrived in a city overrun by crooks. Tom Pendergast, broad nosed and barrel-chested, led the city with an iron fist:

He became 'the boss', bribing to fit his political ambitions whenever necessary. At the height of his Kansas City domination, Pendergast's personal operatives, in collusion with local police, jailed poll watchers who tried to keep illegal voters from casting ballots; he accepted political kickbacks and in 1935-1936 he paid out more than \$1 million more than he reported on his income taxes. Additionally, Pendergast allowed rate increases by fire insurance companies in exchange for \$400,000 in cash. (p. 23)

Dorsett (1968) tells us that Tom's famous older brother Jim Pendergast, after a few years of dissatisfying manual labor, got his start by hitting it big at the racetrack on a horse name Climax in 1881. From the winnings, he purchased a combination hotel and saloon and became a successful business man in Kansas City. His saloons would become very advantageous once he entered politics. He controlled what was known as Kansas City's 'West Bottoms' neighborhood; populated by low-income Black, Irish, German and Native American workers. Also, Alderman Jim, as he was called, was in failing health.

Sixteen years younger, his brother Tom worked as a bookkeeper in the Pendergast saloons. He looked quite a bit like his older brother Jim; big, stocky, round face with a huge mustache. According to Dorsett (1968) under the tutelage of Kansas City's most powerful boss, his brother Jim, Tom learned to direct the Pendergast machine. "For sixteen years, Jim instructed him in the ABC's of machine politics in Kansas City" (p. 43).

In 1900, at the apex of Jim's political strength, Mayor James Reed appointed young Tom to the patronage-laden office of superintendent of streets. For the next twenty plus years Dorsett (1968) details how Tom built the Pendergast machine. "Pendergast was clearly supreme in Kansas City and Jackson County. Soon, however, events beyond his control would conspire to make him the most powerful man in Missouri" (p. 91). Hoplin & Robinson (2008) argue that his accumulation of government power and stranglehold on Kansas City's decision-making process directly threatened the values Harold Luhnow and William Volker held: citizenship, benevolence and principled character. The story now heats up.

On an important side note, I mentioned earlier that William Volker was taught by his mother to give to those in need 'for the right reason'; referencing the Gospel of Matthew. Why did I mention this? Dorsett (1968) spelled out many cases where the Pendergast regime 'gave to

the needy' but made it perfectly clear that his 'giving' was for political gains and that such giving (he often used the term welfare) created people, many of them Blacks, totally dependent on his 'giving' where the only requirement from them was their continued political support. This is precisely what William Volker detested; as his intent in giving was to make needy citizens be able to contribute to society, not become dependent on it. As a black man myself, this means a lot to me. In my view, I think the reader may recognize this unfortunate social dynamic in today's political environment as one that fuels the anger from many whites against this perception of dependency of many blacks. Sadly, there is a degree of historical truth that creates this perception.

Developing the Volker Fund connection to neoliberalism. With this brief background about Tom Pendergast and his 'machine politics', Hoplin & Robinson (2008) now continue the story saying that Harold Luhnow grew more and more upset with the Pendergast regime and decided to join an initiative to remove Pendergast and his cronies from power. In 1934 Luhnow became a director of the National Youth movement, an organization which sought to destroy the Pendergast iron clad hold over the city. In 1938, he served as finance chairman for the Independent Voters League, trying yet again to rid the city of the vice grip of Pendergast but, once again, falling short.

When William Volker retired in 1938, his nephew Harold Luhnow became president of the company. Their long relationship kept stride as Harold, now supported by the financial strength of his uncle William Volker, continued to work behind the scenes to rid the city of the corruption of Tom Pendergast. For example, Luhnow demanded financial audits of the city done by the Volker-supported Civic Research Institute. Of great significance, Luhnow acted as an organizer of the United Campaign Committee, a non-partisan group seeking to influence city

government elections. With Luhnnow's influence, the organization helped to pass an amendment to the city charter to term-limit city officials effectively ousting Pendergast from city government in 1940.

While Luhnnow spent a great deal of his time working to rid the city of Pendergast, William Volker, now retired and 80 years old, stayed in the office keeping the affairs of the company on track. Hoplin & Robinson (2008) tells us that the Pendergast era caused both William Volker and his nephew Harold Luhnnow to doubt the ability of government to relieve social problems appropriately. As we approach the connection of this story to neoliberalism, I remind the reader that in addition to this recent Pendergast experience, that the Volker family emigrated from Germany to Chicago because of the intrusion of the Bismarck government. In my view, this is a very significant piece to add inasmuch as it paints a picture of a real deep-seated ingrained disdain for government on the part of William Volker that extends all the way back to his childhood; now shared with his nephew Harold Luhnnow.

Continuing with the story, Hoplin & Robinson (2008) claim that William Volker recognized that his personal philanthropy worked much better than government sponsored welfare. As a prime example, when Pendergast maliciously used the Department of Public Welfare, a relief organization that Volker himself helped to start, to take hold over Kansas City, Volker said "I've learned something about government. Governments must be restricted to those activities which can be entrusted to the worst citizens, not the best" (p. 24). For Volker, it boils down to either organized charity or taxation. This simplicity in turn developed into his personal philosophy of government and one I admit forthrightly, strongly believe in myself. According to William Volker:

Organized charity relieves destitution, but in addition does the utmost to furnish employment, to remove the causes of misfortune, and to restore the individual or family to a basis of independence and productive citizenship. Besides all this, voluntary charity does something for the giver. To depend on taxation, would mean that many who are destitute would become used to dependence on others, confirmed paupers who would be a continuous charge of the community. (p. 25)

Even more explicit, Volker began to understand that good ideas, more so than government-sponsored improvement projects, could impact and change the future. As a result of this thinking, William Volker placed half of his wealth for the eventual distribution in the Volker Fund. This completes our very brief history of William Volker and the Volker Fund.

To better understand this seemingly simple outlook, recall the early childhood religious influence he received from his mother that he remained with him through his adult life. William was raised to help others and carried this belief through his great success as a business man. There is nowhere in his story that indicates that he took time away from his business to study the nuances of politics or opposing ideologies; thus, the ‘pure’ nature of his giving. From this, the Pendergast experience was reacted to in the manner described in the above quote.

Hoplin & Robinson (2008) now lead us toward our connection to neoliberalism. They argue that the Volker Fund made its philanthropic decisions based on ideas that support Volker’s philosophy of government; just quoted above. It supported individuals and their work, but left the individual free to complete his or her work without interference or restraint of any kind. The

Volker Fund Statement of Policy confirmed this: “Ideas do not originate in monuments but in the minds of creative individuals” (p. 25). The fund itself had a small staff dedicated to managing each gift personally. It had three original trustees: William Volker as president, his wife Rose Volker as secretary and his nephew Harold Luhnnow as treasurer.

Volker and Luhnnow made most of the giving decisions together, supporting those causes and people they deemed responsible and necessary to their views. In 1944, Harold Luhnnow assumed the role of president of the Volker Fund. With the blessing of his uncle William Volker, Harold led the Volker Fund’s transition to support scholars of liberty and freedom. William Volker died on November 4th, 1947 at the age of 88. Already a heavy skeptic of government from the Pendergast experiences, Harold Luhnnow was inspired by Friedrich von Hayek’s book: *The Road to Serfdom*. We now have our initial connection to the Rise of Neoliberalism.

Of great significance to this study, and directly connecting to the Chapter Four discussion on the nature and power of capital, Hoplin & Robinson (2008) argue plainly that “one of the most seemingly insignificant monetary gifts given in the 1940’s by the Volker Fund led to the dramatic advancement of free-market and classical liberal ideas worldwide” (p. 26). This cannot be overstated. I now continue elaborating on this connection between the Volker Fund and neoliberalism with Van Horn & Mirowski (2009); as they corroborate and pick up the story right where Hoplin & Robinson (2008) leave off.

The Van Horn & Mirowski (2009) central thesis. Van Horn & Mirowski (2009) clearly corroborate this history of the Volker Fund:

Luhnnow, who had become president of William Volker &
Co. was a strident anti-New Deal conservative began the

process of converting a philanthropic fund originally intended to help the citizens of Kansas City into something completely different: a foundation to promote a rethinking of liberal politics in America. The fund played a major role in conservative intellectual politics in twentieth century America. (p. 141)

Van Horn & Mirowski (2009) now beginning to detail their narrative, introduce Nobel laureate Friedrich von Hayek, who brings the international dimension into the discussion. On a trip to America in early 1945, they claim that Hayek was intent to warn the west of the impending threat of what he termed left-wing totalitarianism. According to them, Hayek, at the time still an economist at the London School of Economics, was in America giving lectures on his surprising best seller book: *The Road to Serfdom*. In his speech at the Detroit Economic Club on April 23rd 1945, in trying to proselytize his views, he said:

We must make the masses of people learn and understand the problem that is before us, make them capable of discriminating between methods which will achieve the end and methods which are empty promises, and particularly tell them that there may be desperate palliatives like inflationary measures which in the short run may keep employment high, but in the long run make the situation much more difficult than it was before. (p. 140)

This, in my view, is a formal attack against Keynesian economic theory from a well-respected economist and a call for the return to conservative neoclassical policy.

In any event, Van Horn & Mirowski (2009) claim that within two days of this speech in Detroit, Hayek met with Harold Luhnow, president of the Volker Fund. “Luhnow offered to provide financial support for Hayek in his educational quest, since he too had been searching for intellectual weapons to curb the power of government in the postwar era” (p. 141). As the reader should suspect, the plot now thickens.

At the meeting, Luhnow sought to commission Hayek to write an American version of his book: *The Road to Serfdom*. His reason was that the original text was written primarily for a British audience and was perhaps at a too high level of discourse for American audiences. While there are differing accounts as to how Hayek initially reacted to Luhnow’s proposal, Van Horn & Mirowski (2009) claim that in the end, Hayek saw it as something far larger than just writing another version of his book. In seeking to get others committed to this project, as he himself could not find the time to do it, Hayek wrote the following letter to Luhnow while in Chicago on May 3rd 1945 right before returning to England:

My friend Mr. Friedrich A. Lutz of Princeton, whom I had in the first instance in mind and who came to see me here in Chicago to discuss it, is quite willing to take part in it although he is for some time committed to other work, and feels that we would need two or three other people to work with him as a team. It has since occurred to me that Princeton is not necessarily the best place and that there is a great deal to be said for conducting the investigation at the University of Chicago where there are a number of people whose collaboration would be extremely useful. (p. 141)

In showing the level of seriousness this project garnered at the University of Chicago, prominent faculty economists like Jacob Viner, Robert Hutchins, Karl Brandt, Henry Simons and Dean Robert Redfield all seemed eager to participate. In addition, Aaron Director and Milton Friedman, while not faculty members at that time, also wanted to get involved. This specific group was extremely influential within the university, as Robert Hutchins was a soon-to-be chancellor.

We have now reached a point where the story becomes, in my view, somewhat explosive in its far-reaching implications with a re-emergence of the original philosophical battle at the school; now with guns blazing as a result of the Volker financed input initialized by Hayek. Recall that the battle was between neoclassical and institutional economic theories and that one of the objectives of this chapter was to attach specific people behind each of the opposing philosophies. To that end, I begin with Friedrich von Hayek and neoclassical economic theory.

Van Horn & Mirowski (2009) begin this far-reaching part of their story by elaborating on a long standing intellectual friendship that deteriorated into philosophical combatants with very, very profound implications. The authors tell us that Hayek and Henry Simons' intellectual friendship dated back as early as 1934 when Hayek sent a letter of appreciation concerning Simon's acclaimed work: *A Positive Program for Laissez Faire*. His appreciation was clear in the letter to Simons on December 1st 1934 where he said "I have the greatest sympathy for the general spirit which it expresses and I feel that it does raise the problems which economists ought to discuss today more than others" (p. 142). Van Horn & Mirowski (2009) next add that as a result of these communications, by 1939 a close comradeship had developed between the two.

In that year, in displaying their mutual admiration for each other, Simons sent a letter to Hayek; as both were discussing the British political landscape at that time:

For England, however, it seems impossible to hold out even for a slender hope. England, to be sure, may still be saved, but not by her own actions- only by example of a wise and successful liberal program in the United States. So, I welcome your contributions to discussions here and, hoping that you will again write for American readers, I suggest that this may be the most useful contribution you can make toward the cause of liberalism in England and elsewhere. (p. 142)

Notwithstanding this mutual respect, according to Van Horn & Mirowski (2009) “during the 1930’s they did not fully concur on some issues, which would later loom large” (p. 142). To that quote, I would adjust it to read: loom very large. The authors now begin to detail the deteriorating aspects of this seemingly once strong mutual admiration that will point directly to the fundamental philosophical differences that defined the battle at the Chicago School discussed in Chapter Five. How?

First, it is clear that Hayek supports the neoclassical side of the battle with his above mentioned public opposition to Keynesian economics and his warning to Western civilization of the encroachment of what he termed left-wing totalitarianism. Furthermore, Hayek (2014) in his book: *The Road to Serfdom* spells out his intense feelings; not to be taken lightly. Most importantly, recall that Harold Luhnow of the Volker Fund was inspired by this book. With that, a few important introductory words about this book are warranted.

According to Caldwell (2008):

The Road to Serfdom is F. A. Hayek’s most well-known book but its origins are decidedly inauspicious. It began as a memo to the director of the London School of Economics, Sir Walter Beveridge, written by Hayek in the

early 1930's disputing the then popular claim that fascism represented the dying gasp of a failed capitalist system. The memo grew into a magazine article and parts of it were supposed to be incorporated into a much larger book, but during World War II he decided to bring it out separately. Though Hayek had no problem getting Routledge to publish the book in England, three American publishers rejected the manuscript before the University of Chicago Press finally accepted it. (p. 1)

As the reader can see, Van Horn & Mirowski (2009) and Caldwell (2008) both consider Nobel Prize economist Friedrich von Hayek as a central figure in the Rise of Neoliberalism; as do I. With this said, I now present an argument that will serve two purposes. First, to continue to connect Hayek to the neoclassical side of the battle and second, to present the thoughts of Hayek as what in my view can be seen as 'intentional hypocrisy of the highest order'.

In his book: *The Road to Serfdom* Hayek (1944) clearly expresses his reasoning for rejecting what he terms left wing totalitarianism by first denouncing the intelligence of the general public, then showing how science comes into play to justify preconceived opinions. To start, I argue that both of these points just mentioned are used strongly by neoliberalism today to create its high success and dominance. I also ask the reader to recall that Amartya Sen (1977) and Karl Marx (1973) in Chapter Four both admonished and rebuked the so-called science of rational choice theory that supports homoeconomicus; one of the pillars of neoliberalism. The following quotes come from Hayek's (1944) book Chapter XI aptly titled: *The End of Truth*. I present these to the reader as two significant points in this study of neoliberalism.

First, on the intelligence of the general public:

Probably it is true enough that the great majority are rarely capable of thinking independently, that on most questions they accept views which they find ready-made, and that they will be equally content if born or coaxed into one set of beliefs or another. In any society, freedom of thought will probably be of direct significance only for a small minority. (p. 164)

Second, on the use of science:

The need for doctrines as an instrument of directing and rallying the efforts of the people has been clearly foreseen by the various theoreticians of the totalitarian systems. Plato's 'noble lies', Sorel's 'myths' serve the same purpose as the racial doctrine of the Nazi's or the theory of the corporative state of Mussolini. They are all necessarily based on particular views about facts which are then elaborated into scientific theories in order to justify a preconceived opinion. (p. 157)

These two specific thoughts of Friedrich von Hayek should not be underestimated. Recall the question posed in the beginning of Chapter Five that asked: how could any phenomenon possibly grounded on problematic theoretical foundations and with pejorative descriptors from

so many different authors, have grown into such global dominance? I argue that these two above quotes by Hayek provide at least some initial answers to that question.

Furthermore, I contend that a man of Hayek's considerable intellect fully realized the power of these above thoughts and was not about to abandon such power in his push for a global response to thwart what he viewed as the rising threat of totalitarianism. In other words, I suggest that Hayek in truth secretly admired such totalitarian power, but wished to corral it for those who thought as he did; all under the guise of 'liberalism'. We will see shortly that Henry Simons understood this and responded accordingly. Morality aside, is Hayek being hypocritical? I say undoubtedly; nevertheless, it has a certain level of genius to it.

Recall from chapter Four where I argue that Adam Smith's 'invisible hand' argument is used by conservatives to justify the 'trickle-down' economics that calls for the rich getting even richer as a necessary priority, completely dismissing and disregarding Adam Smith's moral foundations. I see such intentional misuse as an insidious warping of ideas to present something that otherwise cannot be justified morally or quantifiably. Whatever one's opinion, this is smart and it works. Let's continue:

Now that Friedrich von Hayek can be associated with the neoclassical side of the battle at the Chicago school, what still needs to be done is establishing the connection of Henry Simons to the side of the institutionalists. Whalen (1988) in his article: *The Minsky-Simons Connection: A Neglected Thread in the History of Economic Thought* provides a link to institutionalism in the thoughts of Henry Simons; a central figure in Van Horn & Mirowski (2009) in their connecting neoliberalism and the Chicago School.

Whalen (1988) begins by telling us that Hyman P. Minsky was no stranger to institutional economics. Minsky was trained in mathematics at the University of Chicago and received his doctorate in economics from Harvard in 1954. Whalen (1988) argues that Minsky's work is appropriately considered 'institutional economics'. In addition, he adds, and this is important, professor Minsky was well known to students of John Maynard Keynes; who is often referred to as the founder of welfare economics. "In 1975, he performed what the late Sidney Weintraub described as the extraordinary feat of writing a new book on Keynes, and since then he has made a number of important contributions to the growing school known as post-Keynesian economics. No study of the post-Keynesian literature is complete without a review of Minsky's work" (p. 533, emphasis in original text).

Whalen (1988) next argues that absent from nearly all examinations of Minsky's writings, is a discussion of the important connection between his views and the economic ideas of Henry Simons; with whom he studied while at the University of Chicago. From this, the purpose of Whalen's (1988) article, according to him, is to shed light on what he terms the missing thread in economic thought: The Minsky-Simons connection.

At first glance, Whalen (1988) argues the suggestion that the perspectives of Minsky and Simons share common elements might appear somewhat fatuous and even contradictory. He adds that in most circles, Simons is viewed as a founder of the so-called 'Chicago School' of economics; an opponent of government intervention in general and Keynesianism in particular. Recall that Simons was once referred to by George Stigler as the 'Crown Prince' of the Chicago School of Economics. So far, to the reader, this must sound more like the description of a polar opposite to an institutionalist or post-Keynesianist than one in agreement with Minsky.

In Chapter Five on the discussion of the philosophical differences between neoclassic and institutional economic theories by Mirowski (1999), I warned that in reality, and especially at the Chicago School, the differences are not as distinct and separate as the analysis seems to argue. I added that there was considerable grey area and vacillation among members between the two opposing philosophies. With this reminder, according to Whalen (1988), throughout Minsky's works one also finds brief statements and notes suggesting that some important commonalities do exist between Minsky, a known institutionalist and Henry Simons identified most often as a classical theorist.

Whalen (1988) argues that as far as vision and purpose is concerned, Minsky and Simons share common elements that are best appreciated when compared to neoclassical thinking. While a desire to rationalize the 'existing state of affairs' may be sufficient to motivate neoclassical theorists, the careers of Minsky and Simons have instead been driven by a desire to understand and resolve actual economic problems. In a concluding paragraph, Whalen (1988) mentions quite specifically that "more attention should be given to Minsky's recent suggestion that the economics of Keynes and Simons "have much in common" (p. 541, quotations in original text)

Whalen's (1988) article has introduced a connection, at least a cursory one, between Henry Simons and institutional economics; something I will discuss in more detail in Chapter Eight, the final chapter. With a very relevant and important hint near the end, he argues that much of the common ideas between Simons and Keynes needs more attention. I agree and therefore now bring in Coase (1993) with his article: Law and Economics at Chicago where he 'picks up the ball' where Whalen (1998) left off.

Who was Henry Simons and what did he stand for? Much of the hoped for value of this entire study is grounded in his thinking and will be discussed in Chapter Eight; the final chapter.

For now, the reader will be presented with powerful very well-known ideas attributed to Henry Simons by Coase (1993) that without question represent the very antithesis of neoliberalism.

Coase (1993) begins this introduction and analysis of Henry Simons with intriguing and frank honesty:

I did not read Simons's writings with great care and never met him. What I know about Simons is largely based on what Aaron Director and George Stigler have said and on a study of his papers. Unlike the four Chicago economists, Knight, Viner, Schultz, and Douglas, Simons was not an international figure. His name was known to me and when his pamphlet, *A Positive Program for Laissez Faire*, was published in 1934, I bought a copy (its American price was twenty-five cents), and I read it. I still possess my copy, but its excellent condition attests that it was not something that I studied with great attention. It is not difficult to understand why I was not attracted to Simon's pamphlet. It is, as Simons says, 'a propagandist tract'. It is written with passion and a sense of impending doom: 'the future of our civilization hangs in balance'. (p. 240, emphasis in original text)

This says a mouthful. How should we interpret this?

Coase (1993) next claims that he did not share Simon's fear and that his famous pamphlet was far more concerned with political philosophy than economics. Furthermore "and when it did touch on economics, or at any rate on those parts of economics in which I was interested, his views were such as to provoke serious reservations" (p. 240). Clearly, this is no ringing endorsement of Henry Simons. Why use it then? What does this have to do with this study?

Coase (1993) now argues that Simons claimed that the state should consider the necessity of actually taking over, owning, and managing directly, those industries in which it is impossible to maintain effectively competitive conditions. Even with this, it is here where Henry Simons' thoughts tie directly into this study of neoliberalism; his views and positions on the corporation:

There must be an outright dismantling of our gigantic corporations. Few of our gigantic corporations can be defended on the ground that their present size is necessary to reasonably full exploitation of production economies: their existence is to be explained in terms of opportunities for promoter profits, personal ambitions of industrial and financial 'Napoleons', and advantages of monopoly power.
(p. 241, quotations in original text)

To my mind, this needs little interpretation as Simon's position on corporations is crystal clear. I also think that the reader can see why, from the literature review of Chapter Two, I argue that his thinking on the corporation is the very antithesis of neoliberalism. In addition, if we use the thoughts of Whalen's (1988) above that links Simons to institutionalism, it is my belief that while Van Horn & Mirowski (2009) build their case connecting the Chicago School to neoliberalism starting after World War II, in reality, it started, in my view, with the intellectual

battle of the two opposing philosophies, Cartesian versus Pragmatism during the early years at the school described in Chapter Five. Put more simply, I am arguing that as a result of the Great Depression and Roosevelt's New Deal which was grounded in the Keynesian economics of the welfare state, that is where the real intellectual beginnings of neoliberalism started; even though it was not be manifested into policy until many years later.

I begin to conclude this discussion on Henry Simons (1934) with quotes from his famous work, also called a pamphlet, titled: *A Positive Program for Laissez-Faire*. From the beginning, the reader can see an apparent strong mutual understanding between him and Friedrich von Hayek:

We have witnessed abroad the culmination of movements from constitutional governments to dictatorships, from freedom back to authority. This spectacle, for most of us, is revolting, and the experience, something to be avoided at all costs. Yet, faced with the same problems, we adopt and accept political slogans which call explicitly for an 'American compromise' that is to say for more authority and less freedom here and now. (p. 1)

This should sound very familiar to the reader. Recall Van Horn & Mirowski (2009) claimed that Friedrich von Hayek on a trip to America in early 1945, tried to warn the west of the impending threat of what he termed left-wing totalitarianism. In my opinion these views are in line with the warning from both he and von Hayek in opposing extreme forms of left wing governments that are not supportive of free enterprise market-based economic systems.

Van Horn & Mirowski (2009) argue: “Like Hayek, Simons believed that the liberal safeguard of freedom is the most important objective for public policy, and denounced political control unless it was unavoidably necessary to promote a freer market” (p. 142). Their initial mutual admiration and respect is grounded here; soon to deviate dramatically. How so?

In the same book, he departs from the neoclassical view of avoiding left-wing government with an astonishing refutation and criticism that creates, in my view, a distance between the two opposing views of institutionalism and neoclassicism, as far as east is from west. According to Van Horn & Mirowski (2009) “Simon’s ‘Positive Program’ reads today more like a left-leaning attack on corporate prerogatives than anything we might associate with a neoconservative agenda” (p. 143). Simons (1934) speaks about justice and inequality; striking, in my view, at the very heart of neoliberalism:

Turning now to questions of justice, of equitable distribution, we may suggest that equitable distribution is least as important as with respect to power as with reference economic goods or income; also, that the case of justice, perhaps in both directions would be better served if well-intentioned reformers would reflect seriously on what their schemes imply with respect to the distribution of power. If we dislike extreme inequality of power, it is appropriate to view with especial misgivings the extension of political and monopoly control over relative prices and incomes. An important factor in existing inequality, both of income and of power, is the gigantic corporation. We may

recognize, in the almost unlimited grants of powers to corporate bodies, one of the greatest sins of government against the free-enterprise system. (p. 13, emphasis added)

I mentioned earlier that in my view, Simons understood the powerful hypocrisy of Hayek. What did I mean? Recall I suggested that in my view, Hayek actually admired the power of the totalitarian regimes and intended to use the same two ‘power methods’ quoted from his book earlier that now, again in my view, undergird neoclassical economics. With that, recall Simons’ references in his book to ‘personal ambitions of industrial and financial Napoleons’. I argue that these are the same ideas found in Hayek’s *The Road to Serfdom* where he referenced ‘Plato’s ‘noble lies’, Sorel’s ‘myths’ serve the same purpose as the racial doctrine of the Nazi’s or the theory of the corporative state of Mussolini’. In short, I argue that Simons’ ‘financial Napoleons’ are some of today’s corporate titans; individuals exercising extraordinary power over the multitudes primarily by means based on their demeaning views of society as described in Hayek’s chapter XI: *The End of Truth*. In short, I am suggesting that the views of Hayek and Simons could not be farther apart with the latter striking at the very heart of the negative aspects of neoliberalism found in Chapter Two.

And if this is not enough of a counter view to neoliberalism, in Part II of his pamphlet, Simons (1934) puts forth his vision for a genuinely liberal program, in the traditional sense of liberalism; or what may be called classical economics. He starts with a somewhat humorous and sarcastic statement: “We hope the proposals described below may receive consideration, both from liberals who are not naively romantic, and from conservatives who are not stupidly reactionary” (p. 17). I will summarize them for sake of brevity:

1. Elimination of private monopoly in all its forms

2. Establishment of 'rules of the game'
3. Drastic changes in the tax system
4. Gradual withdrawal of enormous subsidies in tariff system
5. Limitation of squandering resources on advertising and selling activities

It should be easy for the reader to now see that the views of Henry Simons, a renowned classical economist, outright rejects many of the pejorative views of neoliberalism expressed in Chapter Two; especially how he denounces the power of gigantic corporations. In what may be rightly termed an incredible reversal of original thinking, Shaviro (2013) reminds us that George Stigler, Nobel Prize laureate in Economic Sciences in 1982, and a key leader of the Chicago School of Economics once called Henry Simons the 'Crown Prince of the Chicago School of Economics' and others have agreed that he was its 'prime architect' (p. 3).

This presents, in my view, a real paradox to solve inasmuch as I've been arguing all along that neoliberalism began as a battle of worldviews in the University of Chicago, School of Economics; and now see that its highly revered 'prime architect' Henry Simons, actually represented the losing side. How did this happen? First, in an admitted attempt to pour salt into the wound, I will tell the reader that the circumstances surrounding Henry Simons' reported suicide death was, and still is, very controversial. After reading the details, I am among those highly suspicious and curious of what really happened to him. In any event, what caused the neoclassicists to win? For our answer, we now return to Van Horn & Mirowski (2009) to complete this unusual story on the connection of neoliberalism to the Chicago School to explain the above paradox.

The Free Market Study. According to Van Horn & Mirowski (2009) significant political turmoil at the university pushed Simons to work with Hayek on his Volker financed project to spread liberal economic ideas that diminish the role of government. Simons proposed the creation of an ‘institute’ that would be comprised of various scholars dispersed across disciplinary boundaries at Chicago; and that it be without reliance on departmental or university policy. He nominated his good personal friend Aaron Director, then working in Washington, D. C., to head up this new ‘institute’ and suggested that Milton Friedman be hired as a part time statistician. His hope was that this institute be restricted to publication of scholarly and semi-popular literature to promote liberal ideas that came from stimulation rather than ideas generated under contract. In other words, Simons was interested only in developing ideas generated from strong honest intellectual debate, not ideas clearly pre-injected to support funders’ self-interest.

The institute’s other function was envisioned to bring in visiting libertarian professors. “The Institute should be mainly concerned with political philosophy and with major practical problems of economic policy such as monopoly, monetary policy and foreign trade” (p. 146). Simons went on to name several others he thought would further the institute’s values, including Friedrich von Hayek. The litmus test was ones’ political orientation.

Fortunately, or unfortunately, this Simons plan for an ‘institute’ to promote liberal views went nowhere. According to Van Horn & Mirowski (2009) there was a meeting in Washington D. C. that included Aaron Director, Milton Friedman and others to discuss the specifics of Simons’ plans for this institute. After hashing out ideas on compromises and possible alternatives to shorter term academic projects, Aaron Director’s assessment was pessimistic and he decided that he would remain in D. C. for another three years. With this, Simons’ plan collapsed. Simons then wrote to Hayek to inform him of the letdown. Hayek in turn responded to Simons in a letter

that said you will see from this that I am in full sympathy with your scheme. “If I can keep Luhnow sweet till the right man is available we might well proceed on this combined scheme” (p. 148, emphasis added). Hayek then wrote to Simons requesting that he tell everyone involved in this project from the beginning that it was being postponed. From this the reader can see how Harold Luhnow of the Volker Fund, using the power of capital, was the real key man in this entire endeavor.

In the meantime, Hayek, who in essence reported to Luhnow, wrote a letter to him keeping him apprised of his progress: “for the time being the attempts to organize the investigation we discussed have failed” (p. 149). This failure however did not deter Hayek one bit. Anxious to still get this project done, Hayek requested Volker funding for a trip to the United States to personally look into what had happened. In his letter to Volker, Hayek attached the details of the vision of Simons concerning this ‘institute’ to promote liberal ideas telling Luhnow that the Simons plan had all the essentials of which he was in close agreement. He wrote:

I enclose a memorandum which together with the second document explains in some detail the aims and organization of the society which I have mentioned before... I don't know whether I have succeeded in expressing in these memoranda why such an organization as I sketch there seems to me one of the best contributions in the fight against the evil which threatens all mankind. (p. 149)

Van Horn & Mirowski (2009) tell us that in this somewhat scary and dramatic letter to Luhnow requesting funding, Hayek was referring to his own plan for a similar international institute to promote conservative views of which the Acton-Tocqueville Society would have

been a part. The outline for this international academy eventually led to what later would become the Mont Pèlerin Society. The authors add that the “negotiations over Chicago and parallel construction of what became the Mont Pèlerin Society are all part of the same common endeavor” (p. 149).

Referring back to Hayek’s thoughts quoted from his book above, that the reader can see and judge just how serious these near apocalyptic thoughts of Hayek are. In the Acton-Tocqueville memorandum Hayek wrote to Luhnnow in August of 1945, “the tide of Totalitarianism which we have to encounter is an international phenomenon and the liberal renaissance which is needed to meet it and of which first signs can be discerned here and there will have little chance of success unless forces can join and succeed in making the people of all countries of the Western world aware of what is at stake” (p. 149).

At this point in our story, Van Horn & Mirowski (2009) begin to recap what in their view is the bigger picture. Recall in August 1945, after meeting with Hayek a few days after his speech to the Detroit Economic Club, Luhnnow offered to finance an American version of his book: *The Road to Serfdom*. They argue that Hayek conceived of this offer of financial support from Luhnnow, via the Volker Fund, as a project at the University of Chicago which would be a “subordinate part of a larger and more elaborate scheme – a political movement to counter the intellectual traditions that would, as Hayek thought, inexorably lead to the emergence of totalitarian regimes throughout the Western world” (p. 149). This elaborates nicely our connection between the Volker Fund and Friedrich von Hayek; a central figure in the Rise of Neoliberalism. They begin to detail this connection further, “thus the Volker Fund financially supported and stage-managed Hayek’s 1946 American tour; it reimbursed Hayek for all his

traveling expenses while in the United States and arranged for Hayek's sojourns or meetings at various universities" (p. 150).

The project's original idea between Luhnnow and Hayek became known as the 'Free Market Study' and as such:

Sought to define the political promise of a new, more economically oriented liberalism: The free market is the most efficient organizer of economic activity- the study will emphasize and explain that the free market is systemic and rational, not chaotic or disorderly – show how the free market performs some of the more difficult functions such as allocating resources to their best use and distributing consumption through time. (p. 152)

Of important note, the authors add that the under the above 'promise of the free market' it also identified both private monopoly and public regulation as 'the menace to the free market'; clearly the positions of Henry Simons.

Connecting this 'Free Market Study' back to our connection with Harold Luhnnow and the Volker Fund, Hayek prepared the following proposal for approval:

The William Volker Charities Fund of Kansas City, Missouri, is prepared to provide for the finance of the study of a suitable legal and institutional framework for an effective competitive system and that it is willing to contribute for this purpose the expense of the members of

an advisory committee consisting of persons sympathetic to the purposes of this investigation and whose advice is likely to assist in the work of the regular staff who might periodically meet in Chicago for the discussion of problems arising in connection with. (p. 153).

According to Van Horn & Mirowski (2009), sometime after Hayek mailed this Free Market Study proposal to Luhnnow, the Chicago Law faculty formally approved it, with only the central administration of the university needed to authorize final approval. However:

The faculty of the Law school is prepared to extend to Mr. Director an appointment as Research Associate with the rank of Professor and with permanent tenure, on condition that this salary be underwritten for a period of five years with funds from outside the university. The central administration objected at giving Director automatic permanent tenure after a Volker-funded five-year research stint. (p.153)

Harold Luhnnow, quickly apprised of this rejection of what he saw as a small point, scribbled a note to Hayek: "I'm not one to interfere when I ask someone to do a job for me. Just take your time. Be cautious, and be as sure of your men as possible.... it's in your hands" (p. 153). Van Horn & Mirowski (2009) argue that this represented a real frustration of Luhnnow; as his idea was so close to the finish line. Nevertheless, Luhnnow demonstrated his persistence with his vision of establishing a cadre of liberals devoted to developing a very specific agenda of doctrines to be planted and nurtured at Chicago. Then; tragedy strikes.

The death of Henry Simons. Hayek responded to Luhnnow with shocking tragic news: he just heard the sad news that Henry Simons suddenly died in Chicago; committing suicide on June 19th. He added that Simons was so much the intellectual center of the group he had in mind and the attraction which made Director willing to come to Chicago that he could not yet see what the consequences of it will be. Hayek went on to say “I had become very fond of him. I wish I knew somebody to replace him. But if my scheme collapses as a result, I really don’t know where to turn” (p. 153). At this point, according to Van Horn & Mirowski (2009), given the precise timing, it is difficult not to imagine some connection between Simon’s suicide and the Director snafu. I mentioned my own misgivings of what actually happened to Simons earlier. It thus seemed that the entire Free Market Study proposal had reached a completely unexpected abrupt end. Yet...

In a strange twist that put the project back on track, Aaron Director, still stunned by the dreadful news concerning Henry Simons, received news that there was a misunderstanding within the University of Chicago and that they were still considering the proposal to bring him to Chicago for a five year Volker-funded period but without guarantee of tenure. Director, a bit confused, wrote to Hayek seeking his thoughts in this dramatic turn of events. Hayek responded:

After your letter, I do want to say that in a sense it would seem to be even more important than before that you should accept. It seems to me the only chance that the tradition that Henry Simons created will be kept alive and continued in Chicago- and to me this seems tremendously important. After closer acquaintance with Milton Friedman I believe

without Henry, Chicago is still much the best place where to do it. (p. 154)

According to Van Horn & Mirowski (2009) this letter must have lifted the spirits of Aaron Director as he replied promptly informing Hayek that he would agree to the five year offer without guarantee of tenure and move to Chicago to head the project. Director told Hayek that he considered this project of great importance and that the original hesitation concerned the misunderstanding stemming from the university and that Henry's death made him even more anxious to be involved.

Hayek contacted Luhnnow informing him that disagreements have been settled and that Director was indeed still the best man for the job in Chicago despite Henry Simons' death. Luhnnow responded positively:

William Volker Charities Fund, Inc. accepts Dr. Hayek's proposal and we are prepared to contribute \$25,000 per annum for three years in the course of which this study is to be completed. In addition, we agree to contribute a further amount of \$10,000 per annum for a period of two years to cover the salary of Mr. Director for the periods of two years after the investigation is completed. (p. 155)

The deal was done. We now approach the conclusion of this story with the final connection between the rise neoliberalism and the University of Chicago. The real far reaching implications of this story and its connection to this study are now about to be revealed.

The Luhn timer Influence. Van Horn & Mirowski (2009) now claim that as soon as the ‘show got on the road’ Luhn timer moved swiftly to assert his influence over ‘his’ Free Market Study. In my view, it is precisely here where the real nature and power of capital manifests itself. As you will soon see, our final connection between neoliberalism and the University of Chicago is beginning to take shape and become evident.

Once all the specifics were worked out, Luhn timer wrote to Hayek: “We presume that the Advisory Committee will be set up rather promptly and we believe that it should be well thought out and I would like to ask that Leonard B. Read and Loren B. Miller be included on this Advisory Committee” (p. 155). In really beginning to flex his financial muscle, Luhn timer mandated that the suggested Advisory Committee be submitted to Loren B. Miller for his examination before it is actually announced. In this manner, Luhn timer ensured that the Free Market Study done at the University of Chicago would be dominated by men who agreed with the Volker Fund’s political philosophy right from the beginning. Hayek had no choice but to go along with the wishes of Luhn timer.

Importantly, Van Horn & Mirowski (2009) spoke about the political views of Leonard B. Read whom they claimed was an important right wing business figure during the postwar period. Read had obtained a loan from the Volker Fund to purchase property in upstate New York to create the Foundation for Economic Education; an organization that the Volker Fund subsidized for many years. In my view, that makes him beholden to Luhn timer; no small part of the story. Read, according to them, saw the world in black and white where there was no room for a ‘big tent’. Read advocated an inflexible program for defeating socialism by upholding its opposite; expertly, proudly, attractively and persuasively. Most significantly, in a letter sent to Aaron Director on November 24, 1947, Read criticized Simons’ posthumously published work:

Some of us here have carefully gone over the galleys of *Economic Policy for a Free Society* by Henry Simons. We had hoped this was a piece we might assist in distributing, but it is so well loaded with the advocacy of collectivist ideas that it falls entirely out of our field. The book states many positions with which we are in agreement, but personally, I do not believe that the cause of individual liberty and a free market economy will be aided by it. (p. 156)

With this letter, we have reached a critical juncture in developing our connection. According to Van Horn & Mirowski (2009) Hayek was called upon to ‘smooth ruffled feathers’ and get the Free Market Study project back on track. Hayek, in responding to Read’s letter to Aaron Director, sent a letter to Luhnnow:

I am writing to draw your attention to Henry Simons’ book *Economic Policy for a Free Society*....it seems to me to represent the kind of attitude which must be taken if there is to be any prospect of preserving the competitive system and a free society generally.... it is certainly in the spirit of that book that Director will conduct his investigation at Chicago.

(p. 157)

These two positions, which may seem as opposing, represent the nuanced understanding of the work of Henry Simons. Recall that Simons and Hayek enjoyed a degree of mutual respect and admiration. In addition, also recall that at one time, Simons was referred to as the Crown Prince of the School of Economics. What needs to be stressed here to clarify things is that what we are in essence uncovering here is the vast difference between profit making and profit maximization. Simons, without question, believes in the idea of profit making, but profit making that needs to be controlled. While Hayek, on the other hand, represents the interests of Harold

Luhnow who strongly believes that corporations should be left alone and has shown an open and clear disdain for government.

The stage is set. Our story is reaching its apex. Van Horn & Mirowski (2009) now detail, in very plain language, the connection between the University of Chicago, via the Free Market project at the School of Economics and the Rise of Neoliberalism. They begin by reminding us of the fact that their conclusion is based on archived records and thus far more reliable than much of the ‘folklore’ bandied about on how the connection was really established; one reason why I chose their work to build on. The reader will see how this is all in line with the lens of powerful influence introduced by Milton (1974) from the ‘general story’ of Chapter Three and the nature and power of capital discussed in Chapter Four.

According to Van Horn & Mirowski (2009) we can now see the major intense negotiations on what it meant to launch a Chicago School of Liberal Economics. They claim a number of things are now apparent that have been missing from previous historical accounts:

First, it was the legacy of Henry Simons that was perceived to be at issue in the nascent formation. The mere fact of a seminar identifying itself as being ‘pro free-market’ was not sufficient for concocting a credo to which all parties could subscribe. Second, Luhnow and the Volker officers were not mere pecuniary accessories to the rise of the Chicago School: they were hands-on players, determined and persistent in making every dollar count, supervising doctrine as well as organization. (p. 157)

As a note: In my opinion, it may be here that caused Van Horn & Mirowski (2009) to argue that the Chicago school was ‘no longer anything like it was before’; as they see clear outside influence that is directing its course of action.

Returning to the story, additionally everything depended on Hayek to keep the project on even keel as no one else seemed to possess the intellectual gravitas or deft punctilio as he did. Frank Knight, often referred to in historical records as a major player in the connection between the Chicago school and neoliberalism, is nowhere to be found in the archived records of these negotiations. With all this, even with Hayek and Director pulling the strings, success of the Free Market Study from Luhnnow’s perspective was not a foregone conclusion. Why not? There is one last but very important piece to go.

Recall from the beginning that Luhnnow met with Hayek after his Detroit speech to discuss funding an American version of his book: *The Road to Serfdom*. This would entail much more than just minor adjustments to the original. Here is the critical point: the politics of postwar America presumed not only a powerful state, but also a configuration of powerful corporations whose international competitors had mostly been reduced to shadows of their former selves.

Thus, in promoting ‘freedom’ they were primarily intent on guaranteeing the freedom of corporations to conduct their affairs as they wished. Consequently, the Volker Fund was not interested in bankrolling a classical liberal economic position resembling that of Henry Simons, for it did not adequately correspond to their objectives. American corporations did not fear concentrations of power and generally favored the existence of a powerful Cold War state. Van Horn & Mirowski (2009) state that “it is our contention that the Volker Fund pushed for a reformation of classic liberalism in the American context to conform to its Cold War antisocialist agenda. The participants in the Free Market Study, and eventually Hayek would just have to

adjust to the emergent characteristic doctrines of neoliberalism” (p. 158). While a discussion of cold war economics is out of scope with this study, this is a very serious and somewhat ominous quote by Van Horn & Mirowski (2009) that appears to be suggesting that there are some American corporations who prefer a state of cold war to a state of peace. A few brief words on this are warranted:

According to Jackson (2013) “in comparison to the political, diplomatic, and security aspects of post-1945 international relations, the economic factors behind the cold war have received scant treatment in the literature” (p. 1). He ends his article claiming “there is little consensus between historians over the role of economic factors in the cold war. There is need for a better understanding of the dynamics of political economy in post-1945 international relations” (p. 9).

Presenting a more pertinent view of the economics of the cold war, we have Fusfeld (1998) who argues that “The cold war between the United States and the Soviet Union was a struggle for world hegemony between two great powers was a political, diplomatic, economic, and ideological conflict” (p. 505). For our purposes in what appears to support Van Horn & Mirowski (2009), the author argues:

By the late 1940's the U. S. was already suffering from recession and slow growth. Increased military spending would raise consumer incomes, which would stimulate business investment, enabling the private sector to move to full employment. Full employment would stimulate more investment and more rapid economic growth. The entire national economy would be strengthened-while the Soviet

economy would be weakened by a stepped-up arms race.
(p. 506).

Returning to the historical accuracy of who were the key people involved in the Chicago school's role, Van Horn & Mirowski (2009) now explain why this is so important. Referring once again back to Frank Knight:

We cannot count the number of times one encounters a variation in the assertion that Frank Knight's main claim to fame is his undisputed position as the founder of the Chicago School of Economics. We indeed strenuously dispute this notion. But beyond the factual error of mistaking Knight for the actual progenitors (Simons and Director and, most of all, Hayek) it is necessary to insist that identification of the founder of the Chicago School makes a profound difference to our understanding of the rise of neoliberal economics in the postwar period (p. 158).

In a further dismissal of Frank Knight and a possibly overdone denigration of him, they state "we have our personal doubts as to whether Frank Knight could have successfully organized and orchestrated a weekend picnic, much less a major transnational intellectual movement" (p. 158). Bypassing the slander, in my opinion, these comments cannot be overstated as they synch this entire story with two of the main thrusts of this study: the effect of powerful influences and the power of capital on the Rise of Neoliberalism.

The Mont Pèlerin Society. According to Van Horn & Mirowski (2009), once we recognize the pivotal role Friedrich von Hayek had in getting the Chicago School up and running by the fall of 1946 and look at the first meeting of the Mont Pèlerin Society in Vevey, Switzerland in April 1947, we can begin to appreciate the profound interconnection between the two. They refer to them as “the dual startups of the two landmarks in the history of postwar neoliberal thought” (p. 158). They also add that ‘they were joined at the hip from birth’. This also refers back to the authors’ original thesis that said that “the rise of the Chicago School must be understood as one component of a specific larger transnational project of innovating doctrines of neoliberalism for the postwar world” (p. 140).

The Mont Pèlerin Society, according to Van Horn & Mirowski (2009), is generally regarded as the central locus of the development of the neoliberal doctrine in the postwar world. They were not alone in this assessment. Cahill (2010) argues “while neoliberal ideas had been promoted by the likes of Hayek and Friedman since the 1940’s through forums such as the Mont Pèlerin Society, it wasn’t until the 1970’s that they began to gain currency among policy makers” (p. 4). Additionally, Mudge (2008) supports the authors’ central thesis of this story in a section of her most excellent article entitled: *Anglo-anchored transnationality*:

The Austrian economist Friedrich von Hayek was the charismatic center of a network of particularly pro-free market thinkers who, together, became neoliberalism’s highest profile intellectual protagonists. Marginalized from influence in mainstream politics in the early postwar period, this small and exclusive group of passionate advocates, mainly economists, historians and philosophers

built an intellectual sanctuary in Switzerland: The Mont Pèlerin Society that first met in 1947 under the auspices of Hayek, its first president (p. 6).

Before summarizing this entire story, the reader should also know that funds for this first meeting in Switzerland came from European funds raised from various corporate sources and from American support provided mainly by the Volker Fund. According to Van Horn & Mirowski (2009), Luhnnow sent Miller and Read to monitor proceedings and to report back on the fruits of his investment. In keeping with his long range vision, Luhnnow “continued to provide airfare for selected Americans to attend the Mont Pèlerin conclaves for a decade; only terminating his support in 1957” (p. 159).

Van Horn & Mirowski (2009) summary. As stated, one of the strengths of this story is the author’s usage of an abundant number of quotes taken from nine different archived sources from the libraries of the University of Chicago, Columbia University, and Stanford University. In my opinion, this adds significant veracity to their thinking and conclusions as they attempt to satisfy the historian over the casual interested reader of neoliberalism. Furthermore, I am satisfied that their thoughts are very much in synch with this study as they argue that the rise of neoliberalism has quite a lot to do with influence and the power of capital. This is why I buttressed their story with a short diversion on the history of William Volker and the Volker Fund; later managed by his nephew Harold Luhnnow. According to Van Horn & Mirowski (2009), it was Harold Luhnnow, using his influence as the underwriter of the effort that led to the creation of the Free Market Study, later referenced as the Chicago School, that also in turn aided in the establishment of the Mont Pèlerin Society.

Van Horn & Mirowski (2009) end their narrative with an undated letter written by Henry Simons that in my view connects directly to the major thrusts of this study: “For advocacy of capitalism to mean anything, the proponents must be able to finance their cause.... Radical movements in capitalist societies...typically have been supported by a few wealthy individuals.... a role of inequality in wealth in preserving political freedom that is seldom noted” (p. 168). Their final sentence in the article was: “A better testimonial to Luhnnow could not be imagined” (p. 168). This, in my view, is a firmly conclusive connection between the rise of neoliberalism and the power of capital.

Ending Discussion.

The main purpose of this chapter was to directly address the title of this study: The Rise of Neoliberalism. In developing this chapter purpose from the beginning of this study, the first three chapters explained the passion and drive of the researcher, the current scholarship and what methodologies and method will be used. Chapter Four began with connecting the methodologies to the body of the study. It also presented a discussion, leaning on the thoughts of Marx, Habermas and Schopenhauer, on my understanding of the nature and power of capital.

The chapter concluded that the two intellectual pillars of neoliberalism; homoeconomicus and the division of labor, were problematic at best. Chapter Five provided an historical view of the University of Chicago since its inception with a focus the power of capital used by John D. Rockefeller to get it up and running. It also focused on the fierce intellectual environment at the school started by William Rainey Harper. Introduced in that chapter was what was coined a ‘battle’ of the opposing philosophies of Cartesianism versus Pragmatism at the school that I argued was the intellectual beginning of neoliberalism.

The current chapter emphasizes how people, organizations and events, along with the power of capital, can be used in explaining the Rise of Neoliberalism. Finally recall the central thesis of Van Horn & Mirowski (2009) that claims “the rise of the Chicago School must be understood as one component of a specific larger transnational project of innovating doctrines of neoliberalism for the postwar world” (p. 140). In my opinion, they did an excellent job in presenting this thesis in an easily understood chronology that also shows the power of capital as a core force ‘calling things to life’. Ultimately, it was the Chicago School of Economics and the Mont Pèlerin Society, both started just months apart, that were shown to create a new international intellectual movement that contained the necessary seeds to launch neoliberalism worldwide. Returning once again to my bomb analogy at the end of Chapter Four, Van Horn & Mirowski (2009) have completed the construction of the bomb; as all the necessary parts are now in place to launch neoliberalism worldwide.

Segue to Chapter Seven. What is left to explain? What is missing is an explanation of how this new international intellectual movement, well explained by Van Horn & Mirowski (2009), transformed its ideas into actual policy. The reader will see that the answer to this will lead to ‘lighting the fuse’ of the bomb and exploding neoliberalism into actual policy worldwide. This takes policy makers and leads us to Chapter Seven entitled: Carriers of the Conservative Torch.

For a peek ahead, it will examine, with heavy use of primary documents, the lives of Margaret Thatcher, Richard Nixon and Ronald Reagan. The objective is Dilthean in principle; as I will show how various aspects of their lives, like their beliefs and relationships with others, influenced the political decisions they made. Chapter Seven is designed to bring to a crescendo the impact these leaders had on proliferating neoliberalism.

Returning once again to my bomb analogy, I argue that in doing so, Reagan ‘lit the fuse’ of the bomb that was completed in Chapter Six that ignited neoliberalism and changed the direction of this country in what McCartin (2011) called the ‘strike that changed America’. I extend his argument and add that in doing so, this strike, by default, also changed the world.

Chapter Seven

Carriers of the Conservative Torch

Introduction.

Our narrative from Chapter Six ended somewhere in the early 1950's with both organizations; the postwar University of Chicago School of Economics and the Mont Pèlerin Society in full swing. I will focus on the lives of Margaret Thatcher, Richard Nixon and Ronald Reagan, in that order, to construct a bridge that connects from the end of Chapter Six in the early 1950's to August 5th 1981. That day, Ronald Reagan decommissioned the Air Traffic Controllers Union in what McCartin (2011) called the 'strike that changed America'. This is what I argue 'lit the fuse' of the neoliberal bomb. The rest, as they say, is history.

Chapter purpose. This chapter's purpose is to 'take the next step' from the previous chapter and show a path from newly established neoliberal ideas to neoliberal policy. Recall that Chapter Six ended with an established global intellectual movement manifested at the University of Chicago, School of Economics and the Mont Pèlerin Society. The goal of these two organizations was to implement neoliberal policies worldwide to prevent the rise in what they viewed as an encroaching 'left-wing totalitarianism'. Now that this newly energized global conservative movement is in place, it needs to go from ideas to policy. This means creating both the political and economic environments conducive to the global growth of neoliberalism. Ideas from thinkers in themselves do not do this; political leaders do. This chapter is therefore about the political leaders who created the global neoliberal environments.

To accomplish this globalization, this chapter begins with Margaret Thatcher and will show how she had a very strong influence on British politics. For example, Desai (1994)

describes how Margaret Thatcher dominated British politics more completely than any other recent British politician. We will read a segment of a powerful speech she gave in New York in 1991 that dramatically connects the U.S. and Britain as solid partners in a new global neoliberal world.

Of critical importance to the globalization environment effort, this chapter will show that Richard Nixon's 1972 diplomatic breakthrough trip to China began a new era of bilateral economic cooperation between the U.S. and China with a formidable list of U.S. global corporations set to benefit. Importantly, it is noted that this momentous breakthrough took two years of highly complex negotiations that stayed out of the public view; suggesting its enormous potential for major change in the world.

Finally, since the U.S. is still the world's foremost economic leader, this chapter will show that Ronald Reagan set the environment for higher corporate profits by first shrinking the power of unions in a bold and defiant act on August 5th 1981. Included are a few quantitative conclusions of studies on the impact of that strike on corporate profits. That day, Reagan fired the air traffic controllers who had gone on strike for higher wages. In a dramatic expression of the strike's impact, McCartin (2011) called it 'the strike that changed America'. I argue that since the U. S. is the global economic power, that strike, by default, changed the world. With this chapter the reader should see that from the actions of the political leaders mentioned, the global environment conducive for neoliberalism to explode, is firmly set and in place.

Chapter structure. While there are more than these three specific policy makers, I've chosen to introduce the lives of Margaret Thatcher, Richard Nixon and Ronald Reagan. In my view, they were pivotal in turning the economic ideas from the postwar University of Chicago, School of Economics and the Mont Pèlerin Society discussed in Chapter Six, into the dominant

political ideology of our time; through the power of their offices and their personalities. Leaning on the ideas found in the German Historical School from Chapter Four that says that our environments are causal factors in our thinking, the reader should note that I use the phrase: introduce ‘the lives of’ instead of just introduce. This is to set the stage for including those they love and admire, friends, family, education backgrounds, early childhood experiences, and especially those who clearly influenced them as part of a complex set of environmental causes of their thinking and subsequent decisions.

This will be followed by an ending discussion that summarizes the chapter and segues to Chapter Eight, the final chapter. Next, a more granular look ahead at this chapter of the Carriers of the Conservative Torch and the ending discussion.

Margaret Thatcher. Margaret Thatcher was Great Britain’s first female prime minister, serving three consecutive terms in office 1979–1990. Her economic and social policies evolved into a political philosophy known as Thatcherism, similar to Reaganomics in the United States, and part of a world- wide neoliberal movement in the 1980s. She was dubbed the Iron Lady by a Soviet newspaper following a speech she gave in 1976—a nickname that she proudly claimed.

Richard Nixon. Thirty-seventh president of the United States. Born in Yorba Linda, California, on the outskirts of Los Angeles, the second of five sons born to Frank Nixon, who ran a grocery store in Whittier, California, and Hannah Milhous. His mother's Quaker views and emotional restraint countered to a degree his father's combative and volatile nature: as an adult Nixon exhibited both characteristics. Hard work came naturally to him. He succeeded through perseverance rather than brilliance. A good student because he applied himself, Nixon excelled scholastically at both Whittier High School and Whittier College. His special talent was debating, although he doggedly tried to make ‘first string’ on his high school and college football

teams. These interests helped him develop skills he later used as a politician: perseverance and rhetorical attack. They also reinforced his combative, aggressive personality. It is Richard Nixon who, in my view, set the global stage for the explosive neoliberalism with his trip to China in 1972.

Ronald Reagan. Governor of California and 40th president of the United States. Born in Tampico, Illinois, the second son of John Edward ‘Jack’ Reagan, a shoe salesman, and Nelle Wilson. The future president lived in a series of rural Illinois towns before his family settled in Dixon in 1920. Jack Reagan struggled with alcoholism most of his life, forcing the family to relocate frequently, often just ahead of the bill collector. Nelle Reagan, a fervently religious member of the Protestant Evangelical Disciples of Christ, held the family together and encouraged her son, nicknamed ‘Dutch,’ to stay in school and participate in drama and sports. As a teenager and a young adult Reagan worked seven summers as a local lifeguard and was credited with saving over seventy swimmers from drowning. From 1928 until 1932 Reagan attended nearby Eureka College, a small, religiously affiliated institution, where he majored in economics and sociology. As he had in high school, he served as student body president at Eureka and acted in campus plays.

Since the momentous decision by Reagan is central to my argument that connects this chapter to the rise of neoliberalism, included will be several quantitative results from studies on both the connection of unions to corporate profits and the economic impact of the strike itself.

Ending Discussion. The intent here is to present a single picture to the reader, again, via narrative, that connects this chapter to Chapter Six with an emphasis on how corporate interests are thoroughly interwoven and aided with the explosion of neoliberalism. It also gives the reader

a peek ahead of what this study is hoping to accomplish by summarizing its connection to Chapter Eight, the final chapter.

Carriers of the Conservative Torch

Margaret Thatcher. Some have referred to Margaret Thatcher as possibly the most famous female conservative in history. This short overview on her will hopefully shed some light on that opinion. The data is taken from Margaret Thatcher (2010): *The Autobiography*. I begin with her thoughts on her childhood: “Family tradition has it that I was a very quiet baby, which my political opponents might have some difficulty in believing. But I had not been born into a quiet family. My father, who had wanted to be a teacher, had to leave school at thirteen because the family could not afford for him to stay on” (p.1).

From this early background she recalls something I believe very important to our discussion. She said that years later when she was answering questions from left-wing Eric Heffer in the House of Commons, a regular sparring partner of hers, he tried to pull working-class rank by mentioning that his father had been a carpenter at Oundle. She said that she floored him when she was able to retort that her father had worked in the tuck shop there. For the reader, a tuck shop is a small retail place usually situated in a school; clearly a lower status position than a carpenter at that school. I add this to remind the reader that many conservatives who clearly support the rich of society, themselves may have come from humble beginnings; a point that should not be forgotten in my opinion. It is not an effective weapon the left wing can use against them because it may not be true; as in the case of Margaret Thatcher.

In a chapter in her autobiography titled; *Seizing the Moment: The October 1974 general election and the campaign for the Tory Leadership*, we can see that her early humble beginning

had a strong influence on her thinking as an adult. In a speech she gave at the Young Conservative Conference at Eastbourne she said:

You can get your economic policies right, and still have the kind of society none of us would wish. I believe we should judge people on merit not background. I believe the person who is prepared to work hard should get the greatest rewards and keep them after tax. That we should back the workers and not the shirkers: that is not only permissible but praiseworthy to want to benefit your own family by your own effort. (p. 173)

After this she said that conservatives had not heard a message like this for many years and it went down quite well. She was on her way.

How did her education influence her politics and political beliefs? For that we turn to Auer (1979) from his article in the *Central States Speech Journal* entitled: The image of the Right Honorable Margaret Thatcher. He tells us, her ideas, said Margaret Thatcher, took form at Oxford. Aside from her education in chemistry, where she did well and received class honors, the Oxford influences appear to have affected most of her views on politics and religion. Between the years 1943 to 1947, her time at Oxford, the forces of both scientism and socialism were strong and pervasive, and while the inductive and experimental methods of the former were professionally attractive, the collectivism of the latter was philosophically disturbing. According to Auer (1979), her negative reaction to socialism had a stronger religious base than a political one. This was reflected in a speech she gave at St. Lawrence Jewry, in London, on March 30th, 1978:

I never thought that Christianity equipped me with a political philosophy, but I thought it did equip me with standards to which the political actions must, in the end, be referred. It also taught me that, in the final analysis, politics is about personal relations, about establishing the conditions in which men and women can best use their fleeting lives in this world to prepare themselves for the next. Now all this may sound rather pious. But I still believe that the majority of parents want their children to be brought up in what is essentially the same religious heritage as was handed to me. To most ordinary people, heaven and hell, right and wrong, good and bad, matter. (p. 293)

Auer (1979) concludes that from her religious base it seems an easy step for Margaret Roberts of academic Oxford to become the Margaret Thatcher of everyday politics and attack the socialist wing of the Labour Party for wanting every decision made a political one. She once said: "I hate the things which I believe deny each and every person's right to dignity and respect, and their right to live their own lives in their own way, provided it doesn't harm anyone else. . . . I dislike the way the party has sold itself to socialism to nationalization, to almost a Marxist philosophy." (p. 293). To my mind this clearly indicates her clear straightforward thinking being in lock step with the views of Friedrich von Hayek in his *Road to Serfdom* discussed in Chapter Six. In short, her strongly held views are an extension of the international neoclassical thinking nicely pieced together by Van Horn & Mirowski (2009) in their analysis of the rise of neoliberalism.

Also from her autobiography, one note of special interest; her views of the Royal Family, specifically the Queen. She tells us that the Queen's authority to form a government comes to most Prime Ministers only once in a lifetime. "The authority is unbroken when a sitting Prime Minister wins an election, so it never had to be renewed throughout the years I was in office. All audiences with the Queen take place in strict confidence – a confidentiality that is vital to the working of both government and constitution. I was to have such audiences with Her Majesty once a week, usually on a Tuesday when she was in London and sometimes elsewhere when the royal family was at Windsor or Balmoral" (p. 255). She next says:

Anyone who imagines that these meetings are confined to social niceties is quite wrong; they are quietly businesslike and Her Majesty brings to bear a formidable grasp of current issues and breadth of experience. And, although the press could not resist the temptation to suggest disputes between the Palace and Downing Street, I always found the Queen's attitude towards the work of government absolutely correct. (p. 256)

This obviously suggests that the neoclassical policy Thatcher initiated in Great Britain may have had the backing of the Royal family; a point not to be underestimated. I now bring in a final secondary source to conclude our discussion of Margaret Thatcher.

I begin with a quote from Desai (1994) who discusses his view of the enormous impact Margaret Thatcher had on British politics and how it connects to this study of neoliberalism:

Mrs. Thatcher dominated British politics more completely than any other recent British politician. She seemed bent on imposing on British society and economy a thoroughgoing transformation, brooking no opposition, braving all

contention and division. However, already in her last years in office the much-touted 'economic miracle' seemed to have evaporated as familiar problems of inflation and recession, and newer ones of social and infrastructural neglect, came into view. (p. 27)

Desai (1994) next adds that The Institute of Economic Affairs (IEA) and the Centre for Policy Studies (CPS) were unquestionably the two most important channels for Thatcherite ideas. The connection to this study is that these organizations act "as the conduit and popularizer of neoliberal economic ideas in Britain, principally from the work of Friedman, and von Hayek" (p. 29).

Desai (1994) now describes a Thatcherite world of conservative think tanks. The think-tanks' relationship with the Thatcher government was serviced through a number of channels: the media; the various politicians who contributed to the think-tanks' publications or participated in their lunches, launches, seminars and conferences. Mrs. Thatcher's outside ideological advisors, served to transmit ideas to both the Conservative Party and the Thatcher government; and lastly and very importantly, the No. 10 Policy Unit. Chief among these was The Centre for Policy Studies, established in 1974 by Sir Keith Joseph and Margaret Thatcher. Other prominent think tanks were The Institute of Directors (IOD) and the Adam Smith Institute (ASI).

In a section of his article labeled Intellectual Sources of Thatcherism, Desai (1994) argues that Thatcherite ideas were alien in at least two senses. "Firstly, and most simply, the neoliberal theories of the British New Right, pre-eminently those of Hayek and Friedman. Secondly, at a deeper level, the character of the ideology of the New Right, that of free-market liberalism and later theoreticized versions of conservative thought, with their deeply 'theoretical'

thrust, seemed foreign to the ad hoc, atheoretical empiricism so characteristic of British intellectual life” (p. 41). In other words, in my view, Desai (1994) is saying that the neoclassical thoughts of Friedrich von Hayek and Milton Friedman with its extensive level of quantitative analysis, represented a new level of thinking to the British economists at that time making ‘Thatcherism’ an alien and pioneering movement.

In getting more detailed, his next section is titled: *Reconstructing the role of the think-tanks in Thatcherism*. Here, he connects directly to the central thesis of the Van Ron & Mirowski (2009) narrative from Chapter Six:

The development of a left-of-centre consensus in British politics during the Second World War alarmed some of them. In particular, F.A. von Hayek expressed his fears in his 1944 work, *The Road to Serfdom*. In 1947 he convened a conference inviting like-minded intellectuals from various disciplines and (European and North American) countries, who shared the sense of impending doom at the tide of ‘collectivism’ which Popper expressed at the time: ‘The present situation is one in which we nearly despair’. The ten-day conference was held at Mont Pèlerin in Switzerland. It led to the formation of personal bonds and a basic agreement on common purposes which were formalized in the establishment of a club which took the name of the resort. (p. 43)

From the above, I believe that it is clear Margaret Thatcher represents a transformation of neoclassical ideas established by Van Horn & Mirowski from Chapter Five into actual policy in Britain. In other words, she is a carrier of the conservative torch and a connection from neoclassical ideas to neoclassical policy.

Before I turn to Richard Nixon, Norton (1990) presents a very balanced look at Margaret Thatcher that needs to be included. He begins by arguing that “the impact of Margaret Thatcher on British politics has been profound” (p. 41). He defines and divides her closest followers known as ‘Thatcherites’ into two camps: 1.) Neoliberals who believe in the rigorous application of market forces and 2.) Tory Right who place a greater emphasis on morals and the need to maintain social order and discipline. But the reason for his article is to seek to pose and answer the question: Is the Thatcher revolution designed to last well into the twenty-first century? He concludes that “an empirical analysis of the parliamentary party suggests not” (p.43).

Harris (1997) presents my final look at Margaret Thatcher that should provide a strong indication of the long term dynamic relationship between Great Britain and the U. S. that focuses on a clear common neoliberal global agenda. It provides a crystal clear example of the Rise of Neoliberalism in bold, unashamed brashness. The following is an excerpt from a speech she gave on June 18th 1991 at the Economic Club of New York:

It is a great honor to be asked to address this distinguished audience- and a great pleasure to be back in New York, which never ceases to astonish, delight, intimidate, inspire, elevate and widen one’s horizons. New York remains the economic and financial capital of the world’s greatest military power, the world’s greatest defender of liberty, and

despite your real but short term difficulties, the world's greatest economic power. So this is the right place to discuss the future direction of economic policy and, following the great victory of Desert Storm, the right place to discuss the economic aspects of President Bush's 'New World Order'. (p. 476)

I now turn to Richard Nixon.

Richard Nixon. While Nixon will forever be associated with the Watergate scandal, his accomplishments while president should not be underestimated. This short section on his life will show that he did indeed have a significant impact not only in this country but the world in general. The following narrative is taken from Nixon (1978) *The memoirs of Richard Nixon*. It is interesting to note the reflective and somewhat sorrowful mood he had right from the beginning of his autobiography when he said: "I had no room to discuss the establishment of the Environmental Protection Agency and could only spend 13 pages about the first American President to visit the Soviet Union since world War II" (p. ix). Nixon then apologizes to the reader for having spent so much of the 1,136 pages of his autobiography on Watergate in an attempt to 'get the record straight'. Even with that giant effort, critics called it a whitewash.

In any event, Nixon was born in Yorba Linda, California, on January 9th 1913. It was a farming community of about 200 people just 30 miles from Los Angeles. He tells us that despite his very humble beginnings, life in Yorba Linda was hard but happy. "My father worked at whatever jobs he could find. Thanks to a vegetable garden, and some of our own fruit trees, we had plenty to eat despite our low income. We also had a cow that provided milk from which our mother made our butter and cheese" (p. 4).

In a meaningful set of recollections that can help us understand his early influences, he tells us that his father tried to better himself through the many jobs he held. As examples, he drove an ox team hauling logs to a saw mill, worked as a carpenter, managed a potato farm, sheared sheep in Colorado and installed early hand-crank telephones. Of importance to our discussion, his father moved to Columbus Ohio and became a streetcar motorman:

The insides of those early trolleys were heated by pot-bellied stoves, but the vestibules where the motormen stood were open. During the winter of 1906, his feet became frostbitten. Complaints to the company went unheeded, so he organized a protest by the motormen and conductors. They managed to get a bill passed in the state legislature requiring that the vestibules be enclosed and heated. (p. 5)

Nixon tells us that his father had an Irish quickness to both anger and humor. It was his temper that impressed him most as a small child. He had rough and loud arguments with his brothers Harold and Don where their shouting could be heard all over the neighborhood. He was a strict and stern disciplinarian and Richard usually followed his mother's advice not to cross him. "Perhaps my own aversion to personal confrontations dates back to these early recollections" (p. 6).

His father's interest in politics made him the most enthusiastic follower of his political career from its beginnings. "My success meant to him that everything he had worked for and believed in was true; that in America, with hard work and determination, a man could achieve anything" (p.7). When he was running for Vice President, his father wrote a letter to one of the newspapers suggesting that it support his son Richard saying "this boy is one of five that I raised

and they are the finest, I think, in the United States. If you care to give him a lift, I would say the Ohio State Journal is still doing some good” (p. 8).

What we have so far, is the picture of a man from humble beginnings and an early conservative foundation from a supportive father. While this very brief background is worth noting, the real reason for including Nixon in this study is his 1972 trip to China. With all its political complexities, it represents a true, in my view and that of many others, watershed moment in global economic growth; connecting it strongly to this study of neoliberalism. Surprisingly, I found researching Nixon and his time in office by far the most complex of tasks. The China trip itself is buried in layer upon layer of highly contentious political intrigue that seems to go on without end. For our purposes, and to keep this as brief and concise as possible, we will see what Nixon himself says about this trip first. Then I will introduce a few secondary sources to hopefully further highlight the magnitude of this trip and its connection to this study. What does Nixon himself have to say about this critically important trip?

We begin with the chapter simply entitled: 1972 starting on page 541. He started by saying that he requested three and a half minutes of air time at a television studio in Burbank California for a speech at 7:30pm on July 15th 1971. His speech was to announce a ‘lasting peace in the world’. It was timed for a simultaneous announcement in Peking at that very moment:

Premier Chou En-lai, on behalf of the Government of the People’s Republic of China, has extended an invitation to President Nixon to visit China at an appropriate date before May 1972. President Nixon has accepted the invitation with pleasure. The meeting between the leaders of China and the

United States is to seek normalization between the two countries and also to exchange views on questions of concern to the two sides. (p. 544)

This announcement was the result of secret meetings between Premier Chou En-lai and Henry Kissinger, Nixon's Assistant for National Security Affairs from July 9th to 11th of that year. Behind this announcement was more than two years of complex, subtle and determined negotiations. "Despite the almost miraculous secrecy we had been able to maintain, the China initiative was actually one of the most publicly prepared surprises in history" (p. 545). In summing up this meeting, Kissinger wrote:

We have laid the groundwork for you and Mao to turn a page in history. But we should have no illusion about the future. Profound differences and years of isolation yawn between us and the Chinese. They will be tough before and during the summit on the question of Taiwan and other major issues. My assessment of these people is that they are deeply ideological, close to fanatical in the intensity of their beliefs. At the same time, they display an inward security that allows them, within the framework of their principles, to be meticulous and reliable in dealing with others.... Our dealings, both with the Chinese and others, will require reliability, precision, finesse. If we can muster this process, we will have made a revolution. (p. 554)

The television announcement mentioned above happened just after this.

In dramatic fashion, Nixon now details his historic excursion to China on February 17, 1972. The plane left Andrews Air Force base at 10:35am headed for Peking. “As the plane gathered speed and then took to the air, I realized that we were embarking on a voyage of philosophical discovery as uncertain, and in some respects, as perilous, as the voyages of geographical discovery of a much earlier time. Our plane landed smoothly and a few minutes later we came to a stop in front of the terminal. The door was opened and Pat and I stepped out. Chou En-lai stood at the front of the ramp, hatless in the cold. Even his heavy overcoat could not hide the thinness of his frail body” (p. 559). He details what happened next:

When we were halfway down the steps, he began to clap. I paused for a moment and then returned the gesture, according to the Chinese custom. I knew that Chou had been deeply insulted by Foster Dulles’ refusal to shake hands with him at the Geneva Conference in 1954. When I reached the bottom step, therefore, I made a point of extending my hand as I walked toward him. When our hands met, one era ended and another began. (p. 559)

It is precisely here why I include Richard Nixon as one of the carriers of the conservative torch in this study. Recall that Van Horn & Mirowski (2009) situated the rise of neoliberalism from an international perspective. Also recall from Chapter Two in the literature review, He & Wu (2009) argue that the elements of neoliberalization -- privatization, commodification, drastic inter- and intra-urban competition and radical urban socio-spatial transformation -- has penetrated urban China. A few additional secondary sources will help in seeing the importance of this visit and why it is included in this study.

Bao (n.d.) argues that “in 1970, relations between the United States and China were characterized by derisive propaganda, trade embargos, and mounting tension over international issues. In the ensuing forty years, the two countries developed into the two largest economies in the world, and the Sino-American liaison came to be described as the most important bilateral relationship of the 21st century” (p. 2). Bao (n.d.) now describes what he believes is the most important aspect of this historic diplomatic breakthrough by Nixon that underscores why it is included in this study:

Perhaps the most significant consequence of China’s opening, and the outcome that ultimately makes the “ping-pong diplomacy” a long-term success, was the birth of China’s giant economy. The opening of liaison offices in the spring of 1973 would prove to be instrumental in restoring trade, facilitating diplomatic machinery, and increasing channels of communication. Less than a decade after ping-pong diplomacy, China began to introduce aspects of a capitalist economic system; its economy showed average growth rates of 10% each year afterwards. Up to this day, the extent of the ties between the Chinese and US economies is staggering: as of 2010, China was the largest foreign exporter in the world, with a full 20% of its exports shipped to the United States. China was also the largest foreign owner of US treasuries. (p. 9, emphasis added)

Finally, Sutter (2003) provides recent data on why Nixon’s success is so in line with this study. He argues that “The Chinese economy remains the main bright spot in Asia and a major source of international economic dynamism” (p. 77). Specifically:

FDI (foreign direct investment) in China in 2002 grew by nearly 13 percent, an impressive figure considering that worldwide FDI in developing countries at the same time fell more than 25 percent. Pledged FDI to China was up 42

percent in the first five months of 2003. The Chinese government predicts that FDI will reach an annual utilized rate of \$100 billion in 2005. Along with other foreign investors, large U.S. corporations, including Motorola, Atlantic Richfield, Coca Cola, BP Amoco, United Technologies, Pepsi Cola, Lucent Technologies, General Electric, General Motors, and Ford Motor, have all increased their foreign investment in China. (p. 78)

Without question the reader can clearly see how this breakthrough by Nixon synchs perfectly with fundamental neoliberal tenets of profit maximization. As you can see, Sutter (2003) provides a list of formidable U.S. global corporations that stand to benefit significantly from Nixon's diplomatic breakthrough. This sets the environment to exploit the huge profit potential that exists in the Chinese economy. Next is my last, but definitely not least, final carrier of the conservative torch: Ronald Reagan.

Ronald Reagan. To my mind, Ronald Reagan was by far the most influential conservative political leader of our generation whose impact is still keenly felt to this day. This short overview of him is taken mostly from his autobiography Ronald Reagan (1990): *An American Life*.

Right after the standard book details page and even before the acknowledgments, he posts the following handwritten single sentence completely alone on its own page:

To Nancy, She will always be my First Lady. I cannot imagine life without her.

Why did he do this? Clearly his feelings about his wife could have been written in some later part of this autobiography, even in great detail if he so wished. In that case the reader would still be informed about this marriage aspect of his life. But no; this was different. The other leaders did indeed mention their spouses, but nowhere near in such prominence as Reagan. I admit that upon opening the book for the first time and seeing this immediately, I was a bit puzzled.

However, as I began to read I quickly realized the inordinate number of times the phrase ‘Nancy and I’ was used throughout the entire 700-page book. It was striking.

Relatively early in the book he writes:

After we were married, Nancy asked to be released from her seven-year contract at MGM: Maybe some women can handle a career and a marriage, she said, but she wasn’t going to try. She was going to be my wife. I can sum up our marriage in a line I spoke when I played the great pitcher Grover Alexander, a line spoken by him to his wife Aimee: God must think a lot of me to have given me you. I thank Him every day for giving me Nancy. (p. 124)

What do I make of this? In my opinion, the autobiography of Ronald Reagan, besides its historical value, represents one of the great American love stories; most likely not seen as such by many. Nice and romantic, but even granting that this is true, what does that have to do with this study of neoliberalism? Why am I making this such a prominent issue?

It is Dilthean in principle. What do I mean? Dilthey (1961) argues that meaning from history is created by what people do with their lives. He specifically mentions things like

‘clashes of wills’ that create moments that make history. With these points, I argue that a powerful dual influence on Ronald Reagan may be an explanation of the soon to be discussed momentous decision he made in August of 1981.

For a quick peek ahead, for years, I’ve always wondered where Reagan got the nerve (I may have used a different term) to actually do what many thought a near insane thing to do: fire the Air Traffic Controllers. After all, they were responsible for the day to day safety of all air travel passengers. They went on strike for higher wages. From the details gained from his autobiography, I am formally putting forth the following hypothesis that may explain his soon-to-be-detailed decision on August 3rd 1981: His love for his wife Nancy may have given him an extraordinary will, more so than most leaders have, coupled with very strong potential economic benefits that would positively impact many US corporations. A few quantitative articles will be presented soon to help give the latter part of the hypothesis idea some support.

Let us now return to his autobiography to first learn a bit more about him and to hear from his own words what transpired to create that momentous act in history in what Joseph A. McCartin (2011) Georgetown University professor and expert on U.S. labor, social and political history called: ‘the strike that changed America’.

Reagan (1990) tells us that he was raised to believe that God has a plan for everyone and that seemingly random twists of fate are all a part of His plan. To the reader, this is quite similar to my argument in Chapter Five about the rise of neoliberalism stemming from an incredible twist of fate; referencing the transition of the Volker Fund mission from charity to political support. He goes on to add that “his mother, a small woman with auburn hair, and a sense of optimism that ran as deep as the cosmos told me that everything in life happened for a purpose. She said all things were part of God’s plan, even the most disheartening setbacks, and in the end,

everything worked out for the best” (p. 21). Again, I ask the reader to recall the early life of William Volker from Chapter Five whose mother preached the Gospel of Matthew to him that turned out to be a very strong influence in his life.

Reagan tells us that his father, while only completing a few grades in school, had what is now referred to as ‘street smarts’. Also similar to the life of William Volker and his nephew Harold Luhnnow, his father passionately believed in the rights of the individual and the working man, and was very suspicious of established authority, especially the Republican politicians who ran Illinois state government; which he considered as corrupt as Tammany Hall. As a note to the reader, Tammany Hall was the name given to the Democratic political machine that dominated New York City politics from the mayoral victory of Fernando Wood in 1854 through the election of Fiorello LaGuardia in 1934. The similarities to the Volker narrative of Hoplin & Robinson (2008) in Chapter Six where they discussed the Tom Pendergast political machine is, in my view, startling. How so?

Recall that Harold Luhnnow and his uncle William Volker had a long history of strong ethics and were exasperated at the ‘crooked politics’ of Tom Pendergast in Kansas City. Luhnnow engaged in several political activities that eventually forced Tom from office. We see that Reagan’s father also possessed strong ethics and detested ‘machine politics’ as did Volker and Luhnnow.

The following quote about his father represents thinking that I believe most may not associate with Ronald Reagan. He tells us that:

Among the things he passed on to me were the belief that
all men and women, regardless of their color or religion,

are created equal and that individuals determine their own destiny; that is, it's largely their own ambition and hard work that determine their fate in life. (p. 22)

In a strong endorsement of meritocracy theory, Reagan says that he grew up observing that the love and common sense of purpose that unites families is one of the most powerful glues on earth and that it can help them overcome the greatest of adversities. He says, "I learned that hard work is an essential part of life – that, by and large, you don't get something for nothing – and that America was a place that offered unlimited opportunities to those who did work hard" (p. 27). We now have a picture of a man with a truly epic love for his wife, strong conservative beliefs engrained from childhood and validated by his own mind as an adult. I now fast forward to 1981 when he is elected as the 40th President of the United States.

As stated in the introduction, the intent of this chapter is to get us to this very specific date in history: August 5th 1981; the day Ronald Reagan fired the Air Traffic Controllers. Let's hear from his own words how he understood and interpreted this momentous event:

On the same Sunday that I decided to appoint Sandra Day O'Connor to the Supreme Court, I had made another decision: Transportation Secretary Drew Lewis came to Camp David that day and told me that the Professional Air Traffic Controllers Organization, whose members manned Federal Aviation Administration airport control towers and radar centers around the country, was threatening to strike the following day because of our refusal to meet its demand for a huge salary increase. Although I had accepted the

argument that the unusual pressures and demands in their occupation justified an increase, their demands would have cost taxpayers almost \$700 million a year. I told Lewis to advise the union's leaders that, as a former union president, I was probably the best friend his organization ever had in the White House, but I could not countenance an illegal strike nor permit negotiations to take place as long as one was in progress. I hoped the air controllers realized that I meant what I said. (p. 282, emphasis added)

Rubbing salt into the wound, Reagan next adds that PATCO (the union acronym) was only one of a handful of national unions that actually backed him in the election. It seems to me that this is one logical reason why the union leaders felt confident that they could negotiate with this former union president and eventually reach an agreement. In any event, Reagan claims that by instinct and experience he supported unions and the rights of workers to organize and bargain collectively. After all, he served six terms in his own union and led the Screen Actors Guild in its first strike. He adds that he was the first president of the United States who was a lifetime member of the AFL-CIO union. But.....he next adds:

No president could tolerate an illegal strike by Federal employees. Unions can strike a business and shut it down, but you cannot allow a strike to shut down a vital government service. Governments are different from private industry. I agreed with Calvin Coolidge, who said "There is

no right to strike against the public safety by anyone,
anywhere, at any time'. (p. 282)

Providing more detail justifying his action, Reagan argued that Congress had passed a law forbidding strikes by government employees, and every member of PATCO had signed a sworn affidavit agreeing not to strike. Reagan said he told Lewis to tell leaders of the union that "I expected them to abide by it" (p. 282). After this meeting with Lewis, there was a brief resumption of negotiations. But on the morning of August 3rd, after the union's executive board rejected a tentative agreement, more than 70% of the PATCO workforce of nearly 17,000 controllers went on strike. Reagan admitted that that was the first real national emergency he faced as president. "The strike endangered the safety of thousands of passengers on hundreds of airline flights daily and threatened more harm to our already troubled economy. But I never had any doubt how to respond to it" (p. 283).

That morning Reagan sent a directive to FAA supervisors and to those controllers who had crossed the picket lines and were at work in the control towers and radar rooms. He instructed them, above all, to maintain the safety of the airways. Flight operations were to be reduced to the level the system could accommodate safely. He then called reporters to the Rose Garden and read a hand written statement he'd drafted in his study the night before. Citing the pledge made by controllers never to strike, Reagan said that if they did not return to work within 48 hours, their jobs would be terminated. Reagan next adds that he thought that the members of PATCO were being poorly served by their leaders. "They apparently thought I was bluffing or playing games when I said that controllers who didn't honor the no-strike pledge would lose their jobs and not be re-hired" (p. 283). This, in my view, is Dilthey's (1961) 'clash of wills that creates history' mentioned earlier.

Reagan now recalls that the airlines and the hard working FAA employees as well as the traveling public went through a difficult period. But as each day passed, there were more planes in the air. Reagan now claims that they discovered that before the strike, the air traffic control system had about 6,000 more controllers than it really needed to operate safely. He now proudly adds that training a new corps of controllers would take more than two years, but our air traffic control system would emerge safer and more efficient than ever. “I didn’t think of it in such terms at the time, but I suppose the strike was an important juncture for our new administration, I think it convinced people who might have thought otherwise that I meant what I said” (p. 283). Such is the view of the historic national course-altering strike from Reagan himself. But, how do others see and interpret it? As you will see, there are huge gulfs of interpretation. Finally, and more importantly, how does this connect to the Rise of Neoliberalism?

In fairness, after a view from the ‘right’ by Reagan, I present what I see as a far-left perspective on the impact of this strike by Tom Mackaman (2011) from his article: Thirty years since the PATCO strike. From his perspective on August 3rd, 1981, 15,000 members of the union of air traffic controllers in the U.S. (PATCO) went out on strike against their employer, the Federal Aviation Administration (FAA). For years, he argues, employment levels and safety measures failed to keep pace with increasing air traffic. According to him, excessive stress forced many controllers into early retirement. He says PATCO workers simply demanded a shorter workweek, increased wages and increased staffing. Note the difference to when Reagan argues that it was discovered that PATCO was overstaffed by 6,000 controllers.

Mackaman (2011), in corroborating Reagan’s view of what took place, claims that hours after they walked out, President Ronald Reagan, speaking from the White House Rose Garden, invoked the anti-strike Taft-Hartley Act to fire the strikers if they did not return to work within

two days. The Reagan administration's terms were simple: the ending of the strike and the total submission of the union to all White House demands. There would be no negotiations. By the end of the year, it was clear that the air traffic controllers had been defeated. The Reagan administration and the courts outlawed the union, and all of the striking air traffic controllers were blacklisted from their profession for life.

In a rather startling, in my view, accusation of Democratic complicity, Mackaman (2011) claims that what really happened was that the union-busting operation was a bipartisan operation carried out with the tacit support of the Democrats. The plan Reagan implemented for smashing PATCO, including the military scabbing operation known as the Management Strike Contingency Force, had been drawn up under Democratic President Jimmy Carter in 1980. He argues that:

The AFL-CIO gave the Reagan administration assurances that it would do nothing in response to government strike-breaking and union-busting. In the face of pressure from workers calling for broader strike action in support of PATCO, AFL-CIO President Lane Kirkland said early in the struggle that he opposed 'anything that would represent punishing, injuring or inconveniencing the public at large for the sins or transgression of the Reagan administration'. So confident was Reagan in the acquiescence of the labor bureaucrats, he delivered his August 3 back-to-work ultimatum even as the AFL-CIO Executive Council was meeting in New York City. (p. 2)

I debated with myself whether or not to include this wildly opposing view of the PATCO strike as it sounds, at first glance, almost too surreal to give credence. But, upon my own interpretation of current political dynamics that says that Democrats and Republicans are clearly both pursuing the same neoliberal agenda, I decided to include it. Additionally, the literature review of Chapter Two also suggested a common agenda between Democrats and Republicans; at least in the arena of education.

In any event, for academic integrity and a balanced approach, I will soon add some results of quantitative analyses on the connections between unions and corporate profits and on effects of the PATCO strike in hopes of presenting less scary, agenda driven one-sided interpretations; be they true or false or from the left or right. Before that, I want to add a few thoughts of McCartin (2011) from his well-researched book: *Collision Course: Ronald Reagan, the Air Traffic Controllers and the Strike that Changed America*.

McCartin (2011) describes in my view, a critical background piece that adds a lot of contextual value in understanding what took place; something not discussed either by Reagan (1990) or Mackaman (2011). He details just how and why PATCO, an entity of federal workers, became a labor union modelled after the private sector in the first place. It's an interesting story germane to this study of neoliberalism.

He begins by claiming that the fault lines that divided America in the summer of 1968 ran straight through Chicago. During the Democratic convention held there in late August, antiwar protestors clashed with then Mayor Richard J. Daley's police force that riveted the nation and began unraveling the Democratic coalition. During that same time, PATCO's convention held at the Pick-Congress hotel drew no press coverage and attracted no protests. PATCO convention organizers reserved a few hundred rooms but had no idea how many representatives would show

up. They had never gone to a hotel before. With just two days before the meeting, only a few dozen controllers had reserved rooms prompting the hotel to threaten cancellation of their bloc of rooms. Mike Rock, one of the PATCO leaders assured the manager “our guys are funny. We never went to hotels. We don’t know about this reservation bullshit. As it turned out, 350 controllers representing every state showed up” (p. 75).

McCartin (2011) now adds that over four days of discussion, the delegates made decisions that clearly moved PATCO toward becoming a union. First, the current federal model, the Federal Aviation Association (FAA) had been discredited in the minds of a slight majority of the controllers because of their ineffectual history. Second, the key leaders of the organizing drive themselves came from blue collar families with union histories. But the biggest factor was Executive Order (EO) 10988 section 6a -3. This section “forbade the inclusion of both supervisors who officially evaluate the performance of employees and the employees whom they supervise in any organization that sought recognition, the power to negotiate on behalf of employees, and dues checkoff privileges” (p. 76). In other words, it attempted to keep separate the supervisors from the employees so they could not collude against the government. McCartin (2011) claims that the organizers saw dues checkoffs as a matter of life and death and without it, PATCO could not survive.

Even with this strong argument, the issue was not decided without a struggle. This contentious issue was finally pushed over the top when the controllers from Minneapolis Center introduced a resolution formally welcoming supervisors into PATCO ranks. This unleashed a final floor battle that the unionists won by a margin of less than three percent. “This was a moment of singular importance for controllers. For the first time publicly we were telling the FAA, hey, management, you are on one side and we are on the other, observed Rock” (p. 76).

For the final piece of this story, famed attorney F. Lee Bailey was named as PATCO's executive director. After PATCO settled the major question of whether or not to become a labor union, it adopted a constitution unlike that of most unions. Bailey crafted this document. "As explained by William Peer, a labor lawyer who later replaced Bailey as PATCO's general counsel, Bailey created PATCO in the image of the only organization that he was familiar with. And that is corporate America" (p. 77).

An interesting story, but why do I consider it important? What is its connection to this momentous strike? Reagan clearly stated that he saw a big difference between the public and private sector when it came to unions. He readily admitted that he himself was a union leader that led a strike with the Screen Actors Guild. But recall when he said 'Governments are different from private industry'. This story clearly 'blurs the line' between the government and private sectors making Reagan's adamant position of a rigid difference questionable at best. McCartin (2011) has provided us with something Reagan, in my view, clearly did not see. As stated, the union charter, which was written by F. Lee Bailey, structured the union around private corporate principles and that as a result they were more of a private sector union than a public one. I argue that while he saw this strike as different from what the private sector would allow, PATCO saw themselves as a private sector union. In my mind these are unnoticed contextual details that may explain the inevitable clash and lack of negotiations; all based on federal rulings. I now present a less emotional and more balanced and 'scientific' view of the PATCO strike.

Connecting the PATCO strike to this study of neoliberalism.

Unions and Corporate Profits: Quantitative views. I begin with Doucouliagos & Laroche (2009) in their article: Unions and profits: A meta-regression analysis. Going right to the heart of the matter, the authors argue that the effects of unions on economic performance has motivated a

considerable body of research. They claim that the big picture that emerges from the literature is that the impact of unions on profitability is a priori indeterminate i.e., any positive effect of unions on productivity may be offset by higher production costs, while any negative effect on productivity reinforces cost pressures, but this might be moderated if firms are able to charge higher prices.

In the summary, Doucouliagos & Laroche (2009) report that five conclusions can be drawn from their analysis. The first two are quite germane to this study and my argument that seeks to connect the PATCO strike with the rise of neoliberalism:

First, the results show conclusively that unions have a negative impact on financial performance in the United States, though not in the rest of the world. Second, much of what appears to be wide disagreement in the published union-profit effects can be explained through differences in data, measures used, and specification of the econometric model, as well as sampling error. Once these factors are controlled for, there is actually little disagreement that in the United States, unions depress profits. (p. 175)

The obvious point here is that Ronald Reagan's decision to fire the air traffic controllers in 1981 has a clear potential economic benefit to corporations in the U. S. I have not seen any direct evidence that Reagan had talks with corporate leaders prior to his decision. I would not expect to find any. However, I cannot fathom this mutually beneficial act being wholly coincidental without any discussions between government and the private sector.

Wolff (2003) in his article: *What's behind the rise in profitability in the U.S. in the 1980's and 1990's?* begins by claiming that the recent surge in the stock market has called attention to movements in the underlying rate of profit. "The crude evidence does suggest that stock prices are linked to corporate profitability. As corporate profits slipped during the 1970's until the early 1980's, so did the S&P 500 index in real terms (both reached a low point in 1982) After 1982, both corporate profits and the S&P 500 index recovered quite strongly" (p. 479, emphasis added).

In the summary section Wolff (2003) argues that one must conclude that economic and political power shifted in favor of capital, beginning in the early 1980's. But, what explains this shift in power? He argues:

The topic is beyond the scope of the current paper.

However, some possible causes and manifestations of this phenomenon are as follows: The first is the decline in unionization rate. Though this has been going in since 1953, it accelerated during the 1980's. A relevant event is Ronald Reagan's dismissal of unionized air controller workers during the 1982 PATCO strike, which further weakened organized labor. (p. 497)

Continuing with quantitative impacts on the strike, we have Traynor & Fitchenbaum (1997) in their article: *The impact of Post-Patco relations on U.S. union wages* who begin by claiming that a decline in union membership has been going on for more than forty years. Yet still, in the 1980's, there seems to have been a qualitative shift in the power of unions which is independent of their decline. In the next paragraph they add:

However, the August 1981 dismissal and replacement of striking members of the Professional Air Traffic Controllers Organization (PATCO) coincided with a sharp change in U.S. labor policy. Siegel [1984], Reich, [1993], Esteicher [1994] and Spriggs [1991] argue that the firing of the PATCO workers sent employers a message that the hiring of permanent replacement workers was an acceptable business practice. (p. 61)

In their caveats and summation section they conclude:

Taken together, however, the results of this analysis provide fairly strong evidence that events surrounding the PATCO strike of 1981 significantly impacted the wage growth rate and, therefore, the average wage level among union laborers at least in the short-run. Most significantly, all estimates presented in this paper indicate that this in turn reduced the total wage bill paid by management to union labor over the 1982-90 period. (p. 71)

In a somewhat contradictory quantitative view of the PATCO strike, Grimes (1995) argues that the average number of strikes involving 1,000 or more workers by organized labor peaked during the early 1970's. Since then strike incidence has trended downward. A variety of factors contributed to this including structural shifts in the labor markets and an ever changing economic environment. Additionally, recent actions by the federal government is viewed as discouraging strike activity. "The most obvious of these was the firing by the Reagan

administration of 12,000 members of PATCO who went on strike during the fall of 1981” (p. 155).

However, his conclusions appear to differ from the above analyses as his findings seem to temper the impact of the strike. He argues the following:

Each of the control variables obtain coefficients with the expected sign and most are significant. The results indicate that there has been a downward trend in strike activity over the period in question, and that strike activity is positively correlated with union membership but negatively sensitive to the unemployment rate. Interestingly, PATCO does not enter the equation with a statistically significant coefficient. A wide variety of specification tests indicate that this result is robust. Even though the PATCO incident is often cited as a major contributing factor to the recent decline in union strike activity, the empirical evidence does not indicate it has had a significant independent effect. (p. 155)

Finally, Farber & Western (2002) in their analysis of Ronald Reagan and declining union organization, start by claiming the common notion that declining membership in US labor unions throughout the 1980's is most likely traced to political causes. They argue that during the first Reagan term, two political events symbolized the vigorous Republican opposition to organized labor. First, in the summer of 1981, striking air traffic controllers were dismissed by President Reagan and non-union employees were hired as replacements. Second, two seats on the five-seat National Labor Relations Board were filled by Reagan appointees. According to Farber &

Western (2002), the NLRB was now a solid pro-management majority that expanded employers' rights to oppose union organizing. Upon reflection, this very well may have been even more impactful and supportive of my argument than the PATCO strike itself.

In their concluding remarks they argue that there is strong evidence that the PATCO strike created a hostile climate for labor unions in the 1980's, but there is little evidence that those developments precipitated the decline in union election activity. They claim that a convincing alternative explanation is difficult to come by.

Quantitative summary. These five articles are included to lend support to the second part of my hypothesis that Reagan may have had an incentive to create the PATCO strike: to help bolster U.S. corporate profits through union destabilization.

1-Doucouliaagos & Laroche (2009) argue that results show conclusively that unions have a negative impact on the financial performance of U. S. corporations but not the rest of the world.

2-Wolff (2003) argues that there is evidence that stock prices are linked to corporate profitability. He says that one must conclude that economic and political power shifted in favor of capital, beginning in the early 1980's.

3-Traynor & Fitchenbaum (1997) argue that the August 1981 dismissal and replacement of striking PATCO workers coincided with a sharp change in U.S. labor policy.

4-Grimes (1995) provides some less conclusive findings than the others. While arguing for a variety of factors that caused a downward trend in union strike activity, he still says that the most obvious of these was the firing by the Reagan administration of 12,000 members of PATCO in the fall of 1981.

5-Farber & Western (2002) says that declining membership in U.S. labor unions throughout the 1980's is most likely traced to political causes. He specifically mentioned the PATCO strike as one event.

Ending Discussion.

As stated, the main objective of this chapter was to present the lives of those who I refer to as the 'Carriers of the Conservative Torch'. These are the political leaders who transformed neoclassical thinking developed in the late 1940's into actual current political environments. The reader should view this chapter as the logical extension of the work of Chapter Six.

Using the work of Van Horn & Mirowski (2009) and referring one last time to my 'bomb analogy', the bomb was completed at the end of Chapter Six with the final construction of two organized schools of neoclassical thinking: the postwar Chicago School of Economics, the offshoot of Harold Luhnow's Free Market Study, and the Mont Pèlerin Society; the latter which gave it an international base of operations started by Friedrich von Hayek.

Recall that conservatives were re-energized at the end of World War II because it represented the heyday of Keynesian economics that threatened their worldview. Using, in my view, the overly dramatic words of Friedrich von Hayek, they saw it as 'an encroachment of left-wing totalitarianism'. Much of this newly organized intellectual effort to thwart this Keynesian, or welfare state economic perspective, was underwritten by Harold Luhnow; representing the Volker Fund. Recall from Chapter Six the critical point that Hoplin & Robinson (2008) argue plainly: 'one of the most seemingly insignificant monetary gifts given in the 1940's by the Volker Fund led to the dramatic advancement of free-market and classical liberal ideas worldwide'. Additionally, and just as important, if not more so, is the following:

The firm position of Harold Luhnow, underwriter of this entire effort who, directing the action through his perched status, strongly believed that the politics of postwar America presumed not only a powerful state, but also a configuration of powerful corporations whose international competitors had mostly been reduced to shadows of their former selves. Thus, in promoting ‘freedom’ from his view, they were primarily intent on guaranteeing the freedom of corporations to conduct their affairs as they wished. This, in my view, is the underlying and unspoken intent of the newly constructed neoclassical thinking. This chapter picked up from there and hopefully showed that these thoughts were transformed into real political environments by those leaders I refer to as ‘Carriers of the Conservative Torch’.

The next and final chapter responds to the question: what have we learned from this study? Its center piece will be an illustrative snapshot of the analytic chapters followed by concluding remarks.

Chapter 8

Findings and Conclusions

'Only ideas can overcome ideas' - Ludwig von Mises

Introduction

This final chapter will attempt to summarize the entire study with a focus towards a proposed follow-up study. Recall from Chapter One that my experience as a volunteer math teacher in an urban adult education program is what precipitated this study. The organization I worked for was under tremendous financial stress to keep the doors open after successfully helping the adult poor in Chicago for over 20 years. Curious as to why this new stress all of a sudden, early research showed that similar urban adult education organizations all over the country were also under financial stress and beginning to close; some, like Hull House, after serving the poor for over one hundred years. Why was this happening? And why now?

Further research showed that this pressure on urban adult education was at the same time affecting urban education in general. Lipman (2010), Goldstein (2014), Ravitch (2010, 2013), Knowles (1969), Russakoff (2015), Sleeter (2008), Giroux (2004), Hursh (2004), Hill (2003), Weiner (2004), Scott & Dimartino (2009), Rist (2002), Urciuoli (2010) and others provided data that strongly suggested that corporate interests were at the root of this. Kozol (2005) argued that their insidious plans were directed in urban schools as early as kindergarten.

I was honest and upfront since the beginning of this study in stating that as an African American man, this new state of affairs in urban education made me very angry. But this emotion was indeed a good thing; especially so, for the research task ahead. Kuzmic (2014) in his article: *Disturbing Masculinities: Epistemology, Outlaw Emotions, and the Gendered Self* in

Self-Study Research provided me the rationale to show the reader that my anger, or what he refers to as ‘outlaw emotions’ are a positive; not a negative. He reminds us that one's emotional self is intimately connected to one's professional self; so just because one adds the role of the researcher to that identity, doesn't mean that we have to take up the traditional separation between analytic distance and emotional participation. Using the thoughts of Krieger (1991), Kuzmic (2014) argues that to fail to do so actually limits our ability to understand social and educational phenomena.

Chapter Structure. After reminding the reader of my reason for this study and what it means to me, this chapter will be structured as follows: I start with how I address the research question with a focus on the methodologies used. The aim here is to provide a brief narrative on how the answer to the research question was arrived at and to align this study with most qualitative studies that use fieldwork to arrive at findings and conclusions.

Next is a chapter by chapter review that highlights the important ideas, people, events and findings in this study. This is followed by a ‘snapshot’ of my understanding of the Rise of Neoliberalism. The intent here is to give the reader a visualization of the entire study with a special focus on the importance of the power of capital. After this, a follow up on two important points from the body of this study that I promised would be discussed in a cursory fashion in the final chapter. The first follow up is from Chapter Four and very briefly discusses Adam Smith’s (1952) invisible hand argument where he posited a ‘Divine Providence’ behind social structure. The second follow up is from Chapter Six where I will again, very briefly, discuss Henry Simon’s (1934) thoughts and how they connect to institutionalism. I argue that it is in this discipline, which opposes and rejects neoclassical economic theory, that I believe

philosophically grounds any potential solutions to neoliberalism. I will also mention that these two follow ups are, in my view, actually connected to each other.

Finally, an ending discussion that very briefly discusses the findings from this study with a focus on how they can be used to inform a potential follow up study whose expressed intent is to address the ominous argument of Carter & Welner (2013) on the future of urban education.

Addressing the research question

Unlike many qualitative studies, fieldwork, in the normal sense, is not being used here. To arrive at findings and conclusions therefore, I use ‘analysis of ideas and narratives’ to address the research question and provide the overall thought structure of this study. Recall that I’ve coined this method; prismatic analysis. Borrowed from physics, this idea is designed to direct a single complex idea into a ‘prism,’ to refract it into separate distinct parts; in this case Chapters Four through Seven - the body of this study, to engage the research question.

Recall the question: Can N-H provide a deep connection between the genesis of neoliberalism, its intellectual foundations, growth and its dominance in today’s global society? This study, using a transrational approach, i.e. combining rational and non-rational thinking and employing the prismatic analysis, answers YES. The deep connection is the nature and power of capital with its ability to create gigantic social forces. This was explained in the beginning narrative of Chapter Four.

Chapter by chapter high level review and findings

Chapter One. My voluntary work as a math instructor in an adult urban education program ‘pushed’ me to this study in the first place. Early research point to a phenomenon called neoliberalism as a causal factor in the deteriorating state of urban education. At that time, I did

not realize the dense nature of the phenomenon I was about to investigate. Early along the research path, it became evident that I could not do an adequate study of neoliberalism and address my desire to add my voice to possible solutions to the problems in urban education in a single study. The original plan was then adjusted to use the findings from this study to inform a proposed follow-up study.

Chapter Two. The literature review and summary. Recall a few of the summary quotes: Peck & Tickell (2002) stated that “it seems to be everywhere” (p. 380). Chopra (2003) calls neoliberalism “a global social science able to explain all rational conduct, or even simply all behavior” (p. 422). Forest & Hirayama (2009) argued that “neoliberalism has dominated policy discourse, policy formulation and policy implementation” (p. 998). Brenner & Theodore (2002) call neoliberalism “a utopia of unlimited exploitation” (p. 350); just to show a few. In short, this chapter found that neoliberalism is a highly complex global phenomenon that has significant impacts on almost all parts of society. One major focus of the review was to reveal its connections to racism, poverty with a special focus on education. The review found very strong connections to each.

Chapter Three. This chapter presented a detailed discussion of H-I and N-H and their philosophical and analytical foundations. A focus on rational and non-rational thinking and the creative power of narrative was included. The combined use of these methodologies was referred to as transrationality. The analytic visualization termed ‘prismatic analysis’ was also introduced. The intent of this visual idea is to aid the reader in the use of this study’s central underlying theme of the nature and power of capital and to show how it is integrated into the analytic chapters that follow. It undergirds the narratives of each chapter.

Chapter Four. After starting with my own analytical understanding of the nature and power of capital, presented in this chapter is a discussion on the problematic natures of neoliberalism's twin intellectual pillars, or foundations; homoeconomicus and the division of labor. The works of John Stuart Mill (1836) and Adam Smith (1952) are discussed in detail with reasons why I argue that their moral bearings and intentions may have been warped and misinterpreted, most likely intentionally so, for the benefit of specific agendas of wealth accumulation. This chapter found that the foundations of neoliberalism are at best problematic.

Chapter Five. This chapter is for the most part, a discussion of the background history of the University of Chicago from its inception; founded by John D. Rockefeller in 1892. The focus was on the unique environment that housed the thinkers of economics at the school beginning in the 1930's. I argue that this environment 'birthed the spirit' of neoliberalism. This chapter brings us to the late 1940's and the end of World War II. This chapter found that the University of Chicago created the unique environment and established the 'Chicago Tradition'; a now famous hardnosed conservative economic perspective associated with the school. This chapter also found that it was the great Depression of the 1930's that swept a Democratic majority into office under Franklin D. Roosevelt that provided the political mandate for the New Deal to combat massive unemployment. This, I argue, really ignited the debate, or what I term the battle' at the school between the two opposing economic philosophies of Cartesianism, representing the neoclassical side versus Pragmatism, representing the side of institutionalism; a foundation of Keynesian economics.

Chapter Six. This chapter, coined the 'meat and potatoes' of this study, begins from the end of the previous chapter and builds on what is referred to as the Van Horn & Mirowski (2009)

central thesis. These authors' very impressive narrative uses archived documents to explain their theory on the rise of neoliberalism.

According to them, the University of Chicago's role is best understood as part of a larger scheme to develop a new, well-organized and funded international platform to spread and implement neoliberal views in a post-World War II world. At that time in U.S. history, Keynesian economic policy, best known as the economics of the welfare state, was moving the country in a direction conservatives strongly opposed. They intended do something about it.....and they did.

The specific social engineering to accomplish this was heavily influenced by Friedrich von Hayek (1944) with his book *The Road to Serfdom*. The effort to spread his rather extreme conservative views was underwritten by Harold Luhnow of the Volker Fund highlighting the power of capital in the rise of neoliberalism. I show that these enhanced neoclassical views then emanate from the postwar University of Chicago, School of Economics and the newly formed internationally based Mont Pèlerin Society. According to Van Horn & Mirowski (2009), a critical piece was that the real intent of these Volker funded neoclassical views was not just installing market fundamentals to U. S. economic policy, but to take advantage of the diminished strength of corporations in Europe from the effects of World War II. In other words, to design and implement policy that would let U.S. corporations behave as they wished because they were in a position to do so. In summary, this chapter found that the power and influence of capital played a very significant role in the rise of neoliberalism. From this chapter, I argued that the construction of the neoliberal bomb was now complete.

Chapter Seven. This chapter focuses on those political leaders who were, in my opinion, the most pivotal in transforming this newly established intellectual movement discussed in

Chapter Six, into actual global neoliberal policy. I refer to them as the ‘Carriers of the Conservative Torch’. This chapter found that key leaders who had very strong personal conservative worldviews, used the power of their offices and their personalities to create and implement the global environment conducive for the explosive growth of neoliberalism. Richard Nixon’s (1978) historic 1972 trip to China is one prime example.

The lives of Margaret Thatcher, Richard Nixon and Ronald Reagan are discussed here. This chapter was designed to point to a very specific date in history: August 5th, 1981. That day, Ronald Reagan decommissioned the Professional Air Traffic Controllers Organization (PATCO) in what McCartin (2011) called the ‘strike that changed America’. Referring one last time to my bomb analogy, I argued that this event lit the fuse of neoliberalism.

Next, a ‘study snapshot’ to provide the reader with a quick visualization that captures what in my view are the major events that led to the rise of neoliberalism. This is followed by a narrative that explains it.

Study snapshot:

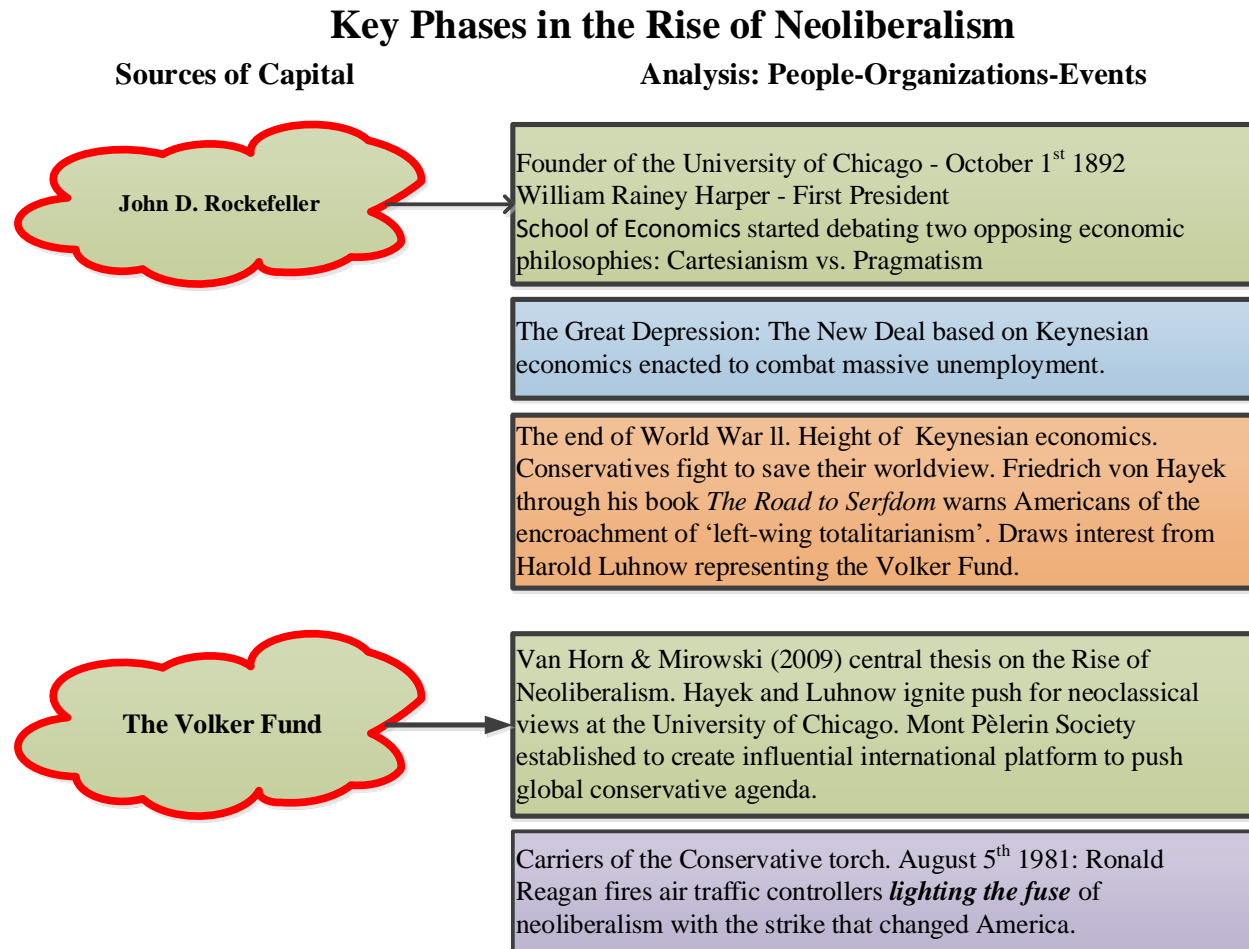


Diagram narrative. This visualization of the key phases in the rise of neoliberalism starts with John D. Rockefeller funding, along with the local Chicago Baptists, the start of a new University of Chicago; an older one went bankrupt about seven years prior. His insistence on William Rainey Harper as its first president set the foundation for a unique university that created the fierce intellectual environment and tradition that remains till this day. Their record number of Nobel laureates in economics attests to this.

The next phase represents the massive unemployment caused by great depression of the 1930's that swept a democratic majority into office and elected Franklin Delano Roosevelt president in a landslide victory over Herbert Hoover. This gave him the political mandate for the Keynesian economics based New Deal; a series of domestic programs enacted in the United States between 1933 and 1938 intended to focus what was then termed the '3 R's': Relief, Recovery, and Reform. Of critical importance to this study, this time in history represented a complete rejection of the conservative philosophy of classical economic theory that emphasized free market fundamentals.

The next key phase is the end of World War II. This period, the late 1940's to early 1950's represented the apex of Keynesian economic policies. It was this time in history that sparked the conservatives to begin to rebel to 'save the very life of their worldview'. Friedrich von Hayek (1944) on a book tour in America, gave a speech at the Detroit Economic Club in April of 1945. He argued to the audience that "we must make the masses of people learn and understand the problem that is before us" (p.140). The problem, from his view, was the encroachment of left-wing totalitarianism; something he considered an evil in the world. His surprisingly famous book: *The Road to Serfdom* was for all intents and purposes, a formal attack against Keynesian economic theory from a well-respected economist of the London School of Economics. It was a call for the return to conservative market-based economic policy. This book drew strong interest from Harold Luhnnow, the new president of William Volker & Co. From this, as a twist of fate, Harold, with the blessing of his uncle William, shifted the direction of the Volker Fund from its historical beginnings of charitable giving to individuals and institutions that helped those who needed help, to underwriting and supporting ideas aimed at limiting government and bolstering private interests. This switch was fueled by their experience during

the political corruption era of Tom Pendergast in Kansas City. As an indication of the monumental impact of this switch, Hoplin & Robinson (2008) boldly claimed that one of the most seemingly insignificant monetary gifts given in the 1940's by the Volker Fund "led to the dramatic advancement of free-market and classical liberal ideas worldwide" (p. 26).

The next key phase is the actual social engineering of the rise of neoliberalism based on the central thesis of the Van Horn & Mirowski (2009) narrative. Using archived documents, they situate the University of Chicago's role in the rise of neoliberalism as "one component of a specific larger transnational project of innovating doctrines of neoliberalism for the postwar world" (p.140). From this, they construct their narrative that begins with the end of World War II.

Much of their argument has Harold Luhnow directing things in the background through his financial might as head of the Volker Fund. The key person-to-person connection here is between Harold Luhnow and Friedrich von Hayek. Together, they agreed on setting up a project to promote Hayek's (1944) thoughts from his book *The Road to Serfdom* at the University of Chicago. Many important intellectuals within and outside the university were eager to participate including: Henry Simons, Aaron Director, Milton Friedman and others. The project was originally referred to as the 'Free Market Study'. Through twists and turns this eventually led to the establishment of a conservative intellectual movement emanating from the combination of the postwar University of Chicago School of Economics and the newly created Mont Pèlerin Society headed by Hayek as its first president. The neoliberal intellectual platform was now officially in high gear. The bomb was now completed.

With this, the final phase represents the transforming of this new conservative international intellectual movement into actual neoliberal policy. This was accomplished through

transformative political leaders, specifically Margaret Thatcher, Richard Nixon and Ronald Reagan. I coined this group the ‘carriers of the conservative torch’. Together they, in my view, constructed the global environments needed to implement these newly invigorated conservative ideas. With this now accomplished, on August 5th 1981, Ronald Reagan (1990) ‘lit the fuse of the bomb’ by firing the air traffic controllers in what McCartin (2011) called the strike that changed America. This diagram explains, in a snapshot, the Rise of Neoliberalism from this researcher’s understanding.

Chapter follow-ups

Chapter Four follow up: A brief commentary on Adam Smith’s Divine Providence. In the Chapter Four critical analysis of the division of labor, Adam Smith (1976), using his philosophical brilliance on economics and morality, and as part of his ‘invisible hand’ argument, offered what would surely be a highly controversial idea today: life’s human stratification as ‘Divine Providence’. I promised to say a few more words on this highly controversial idea in the final chapter.

As a man of faith, I am in agreement in principle with his idea. What does this have to do with this study of neoliberalism? For the sake of brevity and as a very cursory response, in my view, Smith (1976) is arguing against the idea of a classless society. I believe Adam Smith recognized that differing abilities and desires of each human being naturally equate into social stratification, but that that in itself, is not a necessarily a bad thing. Recall Smith (1976) speaking about people on the lower rungs of society and what they have and share in the overall economic and social position scheme:

These last too enjoy their share of all it produces. In what constitutes the real happiness of human life, they are in no respect inferior to those who would seem so much above them. In ease of body and peace of mind all the different ranks of life are nearly upon a level, and the beggar, who suns himself by the side of the highway, possesses that security that kings are fighting for. (p. 185)

Also recall a short narrative I presented on my wanting to promote a person on the lower rung of a corporate ladder when she kindly but emphatically refused my offer and instead wished to remain in place, turning down the added salary and benefits.

I interpret Adam Smith's moral thinking and my own experience, and argue that human happiness and contentment 'trumps' social position. In other words, I ask: what kind of life is it if you are highly successful, perched on an upper rung of social strata if you are not happy? I say despite your social position and all that that affords, you may indeed be miserable.....and life is short; an awful combination in my view. To me, the human mind is so vastly complex that to think that we know what is best for another human, as far as one's social position is concerned, is not only arrogant but wholly unjust and unjustifiable. This idea also critically questions the 'mathematical' aspect of social structure which says that the higher you go up the social ladder, the better off you are. This is not true. In other words, in my view, Adam Smith's Divine Providence in his division of labor, may be a transcendent social construction that has the ability to place people where they should be for their own happiness in this very short life.

Neoliberalism, on the other hand, makes a strong statement against this idea with forcing, via intentional social engineering, the 'mathematical' aspect of social structure as if it were backed

by divine authority. In other words, Divine Providence, from the neoliberal view, means the richer you are the better off you are; something I strongly disagree with. This is what justifies profit maximization; an entirely different thinking from profit making; something that we saw Henry Simons (1934) firmly supported. I too share his thoughts.

Dissecting this, I argue that without question, the *raison d'être* of neoliberalism is the accumulation of extreme amounts of capital by a few. Also recall from Chapter Four that I connect the power of capital to the will of the individual. I now add the fact that in my view, neoclassical economic theory mandates that profit maximization requires a highly stratified social structure where the few on the top stay that way by keeping the many on the bottom in their position; whether they want to be there or not.

This study on neoliberalism does not argue for a classless society, but rather something closer to Adam Smith's (1776) 'Divine Providence' that rejects the daily media pounding of the relative positions of society that makes masses believe that they are 'better off' trying to become rich as opposed to what makes them happy. Instead, I argue for a social structure that allows us to be what makes us happy and contented, wherever that places us.

Recall Persky (1995) from Chapter Four who argues that John Stuart Mill's 'economic man', the core idea of his political economy, has four distinct interests: wealth accumulation, leisure, luxury and procreation. Since 'economic man' has been classified in this study as one of the twin pillars of neoliberalism, it has created a social structure with this very limited version of humans in mind. Recall also the stinging opposition of Mill's 'economic man' by both Sen (1977) and Marx (1971).

Connecting this to education, Mills' political economy is, in my view, what fuels the recent surge in the importance of business studies at the expense of liberal arts in our universities. In other words, it is the neoclassical analytic thinking that maximizes the four characteristics of Mills' 'economic man', as opposed to the pragmatic thinking that brings in the additional social sciences in a quest for a more well-rounded human being who possesses far more than the four neoclassical characteristic of Mills. There is ample support for this in the literature. As examples, McGrath (1959), Poovey (2001) and Lomas (1997) provide sound analysis of the decline of liberal arts education in our universities who they argue are now in the grips of neoliberalism themselves.

This paper argues that the any future social structure where human happiness is paramount over wealth accumulation must begin in our universities by a new revitalization of the humanities. Philosophically, this means re-engagement with a pragmatic, as opposed to analytic, worldview where the more complex social sciences fields like philosophy, sociology, psychology, foreign language studies, feminist studies and anthropology, to name a few, are elevated to their rightful positions atop an intellectual, social and economic hierarchy. This is not a rejection of the natural sciences, but an elevation of the social sciences in a quest for a more human, human being. I believe this will support Adam Smith's idea of Divine Providence and a fairer and more humane manifestation of his division of labor; at least this researcher's interpretation of it. In recap, economics in my view, needs to be returned to its rightful and defined discipline as a social science and stripped of its false intimidating attempts as a natural science.

Chapter Six follow up: A commentary on the philosophical grounds of Henry Simon's anti-neoliberal positions. In this chapter, I promised to discuss the thoughts of Henry Simons

(1934) and how it relates to what I perceive as grounds for an alternative view of, and potential solutions to, neoliberalism.

Recall I mentioned that Henry Simons' (1934) views of the giant corporation represent the very antithesis of neoliberalism. He argues:

There must be an outright dismantling of our gigantic corporations. Few of our gigantic corporations can be defended on the ground that their present size is necessary to reasonably full exploitation of production economies: their existence is to be explained in terms of opportunities for promoter profits, personal ambitions of industrial and financial 'Napoleons', and advantages of monopoly power. (p. 241, quotations in original text)

Additionally, recall an even more terse denunciation of the giant corporation when Simons, arguing against injustice, said:

If we dislike extreme inequality of power, it is appropriate to view with special misgivings the extension of political and monopoly control over relative prices and incomes. An important factor in existing inequality, both of income and of power, is the gigantic corporation. We may recognize, in the almost unlimited grants of powers to corporate bodies, one of the greatest sins of government against the free-enterprise system. (p. 13, emphasis added)

From these quotes it is clear, at least in my view, that Henry Simons, ironically at one time referred to as the ‘Crown Prince’ of the University of Chicago, School of Economics, strongly rejects the heart of the neoliberal engine that dominates social life today; the giant corporation. But how does his passionate and defiant position on the giant corporation ground alternatives and possible solutions to neoliberalism? The first part of the answer is found in Chapter Five.

In this chapter, Mirowski (1991) presented a strong argument that claims that there exists a close correlation between the Cartesian analytic tradition and the structure of neoclassical economic theory. This is the philosophy, based purely and solely on quantitative analysis, that supports thinkers like Friedrich von Hayek, Milton Friedman and other staunch neoclassicists. It grounds neoliberalism. This was shown to be at best problematic from the Chapter Four critical analyses of *homo economicus* and the division of labor.

Mirowski (1991) then asks the question: where shall we search for philosophical foundations elsewhere than in the Cartesian analytic tradition? The answer is in Charles Sanders Pierce’s philosophy of pragmatism. Supporting this, he argues ‘it was the project of the pragmatists to provide a systematic alternative to the Cartesian analytical tradition, as well as to the naturalist doctrines characteristic of positivism’.

After this, this I presented the connection of Henry Simons, mostly known as a classical economist, to the philosophy of pragmatism; which grounds institutionalism. In Chapter Six, Whalen (1988) argues that as far as vision and purpose is concerned, Hyman P. Minsky, a well know institutionalist, and Henry Simons share common elements that are best appreciated when compared to neoclassical thinking. He makes a strong argument for a Minsky-Simons

connection. Whalen (1988) mentions quite specifically that more attention should be given to Minsky's recent suggestion that the economics of Keynes and Simons have much in common.

From this, I conclude that any opposing views to neoliberalism, such as Henry Simons' potent rejection of the giant corporation, be grounded in the philosophy of pragmatism; the philosophical base of institutionalism. According to Hodgson (2004):

Institutionalism offered an approach to the study of economic phenomena that drew not from one discipline, but several. It appealed to psychology, anthropology, sociology, history and elsewhere, in an attempt to understand and explain the world as it is, has been, and may be. Its foremost concern was to understand the real world rather than to develop technique for its own sake. It is not as if everything in the garden of mainstream economics is bringing healthy fruit. The last few years have witnessed enduring global poverty, dubious practices of deregulation, prolonged recessions and extreme turbulence in financial markets. (p. 5)

Recall the discussion in Chapter Five on the 'battle of the two opposing philosophies' at the University of Chicago School of Economics: neoclassical versus institutional economics with Whalen (1988) connecting Henry Simons to the side of the institutionalists. I conclude therefore that the philosophical grounds to oppose neoliberalism are to be found in pragmatism.

Follow ups summary. In my, view these two follow ups, the Divine Providence of Adam Smiths' (1952) invisible hand argument and institutionalism as solution to neoliberalism, are connected. The very idea of human happiness and contentment, eloquently spoken of by Adam Smith, obviously represents a non-quantitative concept. This is alien to the Cartesian analytic tradition, shown in this study to be a foundation of neoclassical economic theory. There is absolutely no room anywhere within the phenomenon of neoliberalism to address this idea of human happiness

and contentment; as its problematic base of total quantitative analysis can make no sense of it whatsoever. This was firmly established by Sen (1977) in his very potent denunciation of rational choice theory from the critical analysis of homoeconomicus in Chapter Four.

Institutionalism, which rejects using quantitative measures for economic understanding solely, was shown to be based on many social disciplines from philosophy, psychology, psychiatry, history, sociology, anthropology, etc. as a means to understand economic and social life. So, to create a social structure where human happiness and contentment for everyone is a reality, institutionalism as an economic foundation is, in my view, a rational alternative to the Cartesian analytic tradition and possibly our only hope.

Final discussion.

The need for a proposed follow-up study. Together, Prudence L. Carter, Jacks Family Professor of Education and Professor of Sociology at Stanford University and Kevin G. Welner, Professor at the University of Colorado, School of Education and director of the National Education Policy Center, argue that **we deceive ourselves** if we believe urban education outcomes can change without addressing things like racism, poverty and discrimination. I say they are right. BUT, if they are, then what are we to do? give up and admit that the most we can do is help the diminishing numbers of a few very fortunate urban students we can, while, sadly, unable to help the majority now clearly fated to a second class life or worse? I say NO!

To the reader, I need to say that this is a very difficult thing for me to discuss, as there are large numbers of kind-hearted very intelligent people who have devoted their entire lives to helping urban students; often by paying for necessities out of their own pockets. All this while ‘the neoliberal-based system’ frustrates them more and more and further clamps down on their

efforts; making their hopes for the majority of urban students seem more and more impossible to obtain. I personally know of many such people; some are in my own family. This breaks my heart; believe what I say.

Recall the chapter opening quote from Ludwig von Mises: ‘only ideas can overcome ideas’. I am convinced that our only hope to change what appears to be a very dismal future for urban education and the communities they exist in, is to think our way out of this mess.

Preview to a Proposed Follow-up Study

Introduction. A paradigm change in our thinking is required. Recall Peck & Tickell (2002) who argue that neoliberalism seems to be everywhere. The current study has shown that it is. As a result, it may not come as a surprise to many readers that the one of the main things I will focus on in this new study is a solid critique of modernity itself. We will see the infinite possibilities released in changing our way of thinking from either/or to and/both.

A peek ahead. A significant piece of this new proposed study will take much of what was gained from this study on neoliberalism and analyze it against the concept of time within social acceleration theory. Much of this thinking will be based on the brilliant work of Hartmut Rosa. I am certain doing so will reveal very insightful aspects of neoliberalism and ground potential solutions.

This new direction will entail a very necessary introduction to basic principles of quantum theory from the also brilliant work of Danah Zohar, physicist and philosopher from MIT and Harvard, and her husband, psychiatrist and psychotherapist Ian Marshall. It will also require a cursory introduction to the laws (specifically the second) of thermal dynamics from Peter Atkins. I have read these works, some actually twice, and others on these topics with great

energy and enthusiasm with the insights from the current study as background seeking connecting bridges. I am more than eager to bring these thoughts to the reader in a coherent holistic framework in a search for an alternative vision of the future of urban education.

Equally important, included in this new study is an introduction to critical and political theologies. While the idea of urban education may seem to some to be a focus on Christian and racial identities, I intend to show that they are constraints to future solutions. Connecting specific fundamentals of quantum theory to sociology will reveal why this is so. It promises to be eye-opening to many. For example, I will show the need for Christians to love being Christians, Muslims to love being Muslims, Jews to love being Jewish, Buddhists to love being Buddhists and yes, even atheists to love being atheists. We will see why this is necessary and fundamental in a new paradigm of thinking that moves past the arbitrary limitedness of modernity.

To reveal the logical source of hope that this proposed study will lean on, included will be a spiritual analysis by Walter Wink. I will attempt to place his thinking within the secular dimensions of critical theology from the thoughts of Jürgen Habermas and Alfredo Fierro. While Christian based, placing it within a critical theology will hopefully show people of all faiths and those without faith that this is a logical line of thinking.

For a brief preview, Wink presents three fundamental characteristic of institutions that will connect from this study of neoliberalism. They will also provide grounds for my fervent rejection of all forms of violence to solve current problems. In addition, connecting back to Ferguson (2009) with something that we are for; not just what we are against. According to Wink (1998):

- 1- Institutions were created by God

- 2- Institutions have fallen
- 3- Institutions CAN BE REDEEMED

These principles, once explained in detail, will become part of the foundations for a new vision for urban education.

Finally, the engine that powers a new vision for urban education returns us to the current study. Specifically, where it speaks on the nature and power of capital as an underlying causal theme in neoliberalism. This will now be combined with the brilliant work of Eric. D Beinhocker (2006) from his book: *The Origin of Wealth: The Radical Remaking of Economics and What It Means for Business and Society*. The author uses a term he calls the ‘evolutionary algorithm’ as a fundamental way of understanding how mankind has reached the point we find ourselves today and what will power us into the future. To say that his thinking is fascinating and that it actually makes sense is a gross understatement.

What will be the end game of this new study? Will see that it will propose a vision of the future of urban education that does not begin with a school; but with a new and special kind of bank.

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